

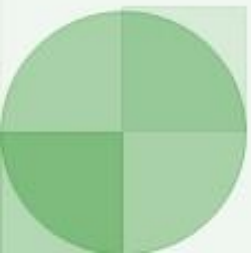
**Welwyn Hatfield Borough Council**

**Medium-Term Financial Strategy  
and Financial Governance Framework**

**2026/27 – 2029/30**



**WELWYN  
HATFIELD**



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## CONTENTS

Section	Page
1. Introduction	2
2. Revenue Forecasts and Strategies	
2.1 Local and economic context	4
2.2 Forecasts and Assumptions – General Fund	10
Forecasts and Assumptions – Housing Revenue Account	12
2.3 Revenue Strategies and Efficiency Programmes	14
3. Capital Forecasts and Strategies	
3.1 Summary and Approach	18
3.2 Capital Forecasts and Assumptions	19
3.3 Strategies & Indicators	21
4. Professional Advice, Skills, Training and Capacity	24
Annexes	
Annex A - Reserves Policy	25
Annex B - Fees and Charges Strategy	29
Annex C - Minimum Revenue Provision Policy	30
Annex D - Financial Planning Framework	31
Annex E - Investment Strategy	32
Annex F - Treasury Management Strategy	35
Annex G - Summary of key financial indicators	45

## 1 Introduction

Welcome to our Medium-Term Financial Strategy (MTFS) and Financial Governance Framework. This document sets out our financial forecasts, risks, challenges and strategies for the period 2026/27 to 2029/30. It also provides the detail behind our financial governance framework including our strategies and policies.

- 1.1 This strategy has been prepared after an extended period of economic uncertainty including the international pandemic, fuel inflation and the cost-of-living crisis, along with a general and a general decline in public sector funding. It is also prepared at a time where pressures and expectations on local government continue to rise.
- 1.2 Following extensive consultation with our residents, we set our corporate plan and priorities for the period of 2023-2026, and we set an annual action plan in line with these targets:  
[https://democracy.welhat.gov.uk/documents/s22707/WHBC\\_HEART\\_A3%20Landscape%2021.pdf](https://democracy.welhat.gov.uk/documents/s22707/WHBC_HEART_A3%20Landscape%2021.pdf)
- 1.3 This strategy, which is reviewed annually, supports our overall direction and provides details of the financial strategies in place to deliver our objectives. It is a crucial component of the Council's strategic planning framework. Our key decisions need to be made with consideration to a financial plan that looks beyond the short term.
- 1.4 The draft settlement issued by the government in December 2025, known as Fair Funding 2.0, has improved the overall financial forecasts for the council, with significantly lower savings targets in the coming years. Whilst there are challenges ahead, we start the next three years in a reasonably strong financial position with healthy reserves and strategies in place to support the delivery of the efficiency savings required to deliver a balanced budget.
- 1.5 We have an ambitious investment programme, specifically on Housing and Regeneration within the Borough. Although part of this programme is grant funded, there will be borrowing requirements, and these will need to be carefully managed along with the ongoing cost implications.
- 1.6 Our priority has always been to safeguard frontline services where possible, but inevitably there have been, and may continue to be, some difficult decisions that result in changes to services for our residents, customers and businesses. Meeting savings requirements will require an increasingly commercial and innovative approach with new ways of working.
- 1.7 We have a strong and successful record of delivering the efficiency savings required, and since the start of government grant funding reductions in 2010, we have successfully delivered just under £26m of efficiency savings.
- 1.8 The government is seeking to reorganise Local Government, which would see counties and districts across Hertfordshire be combined into two or more unitary councils. Until the statutory instruments are in place to make this happen, the council must continue to plan to be financially sustainable into the medium to longer term, whilst also recognising there will be direct costs associated with preparing for reorganisation.

**Richard Baker**

**Executive Director  
(Finance and Transformation)**

## 2 Revenue Forecasts and Strategy

We maintain two revenue accounts. The Housing Revenue Account (HRA) which is solely for the day-to-day activities of our Social Housing Landlord function (our tenants), and the General Fund Revenue Account (GF) which is for or day to day activities for all other services.

### 2.1) Local, National and Economic Context

- 2.1.1 The following section sets out some of the key considerations we have to be mindful of when we set our budgets and review our medium to longer-term forecasts.
- 2.1.2 There are a significant number of uncertainties and risks, and because of this, we undertake sensitivity analysis to understand the potential impact of material changes and ensure our reserves are adequate to deal with any such impacts (Annex A).

#### Grant Funding and Business Rates (General Fund)

- 2.1.3 In December 2025, the Government issued a new funding settlement, known as Fair Funding 2.0. This followed extensive consultations and a review of all key funding streams to local government.
- 2.1.4 In addition to the changes to core funding, a number of service specific grants have been rolled into a lower number of consolidated grants, and the business rates baseline has been reset.
- 2.1.5 A three-year settlement has been provided. Subject to confirmation at the final settlement, year one will be certain, as the government will protect 100% of the business rates baseline.
- 2.1.6 Year two and three of the settlement are less certain. Firstly, these years are only indicative as the government reserves the right to make changes to the formulas, data, or grant quantum over this period. Secondly, the business rates protections will over time be reduced back to the existing levels of 92.5% of the funding baseline (known as the safety net).
- 2.1.7 All previous one-off grants, new burdens and non-guaranteed grants have been ended and rolled into the core settlement, including New Homes Bonus, National Insurance Grant, Food Waste and the Funding Floor Grant.
- 2.1.8 The grant from the Department of Work and Pensions for Discretionary Housing Payments, has been rolled into a new consolidated grant called the Crisis and Resilience Fund.
- 2.1.9 The Temporary Accommodation element of the Homelessness Prevention grant has been removed, and added to the core settlement.
- 2.1.10 As service specific grants are usually allocated separately, growth has been included in the budget, to reflect the expenditure associated with services which are part of the councils core funding.
- 2.1.11 A summary table overleaf shows the changes in the settlement, both for core funding and service specific grants:

	2025/26	2026/27	2027/28	2028/29
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	Actual	Provisional	Indicative	Indicative
New Homes Bonus	0.224			
Funding Floor	0.574			
National Insurance Grant	0.212			
Biodiversity grant	0.06			
Redmond Review Audit grant	0.024			
UKSPF revenue	0.392			
Food waste	0.214			
Business Rates under indexation grant	0.595			
Business Rates Baseline	3.269	4.669	4.776	4.872
Revenue Support Grant	0.151	5.060	5.213	5.342
Homelessness and Rough Sleeping Grant - previous	1.832			
Homelessness and Rough Sleeping Grant - new consolidated grant		1.243	1.294	1.338
Discretionary Housing Payments	0.182			
Crisis and Resilience Fund - new consolidated grant		0.206	0.206	0
Total Funding	7.729	11.178	11.489	11.552
Increase in funding		3.449	0.311	0.063

## Economic and Market Conditions

2.1.12 There continues to be uncertainty in economic and market conditions.

2.1.13 Continued economic changes could have material impacts on our finances, as service demand would be impacted by such changes. This includes an increased housing and temporary accommodation demand, increased welfare support (for example housing benefit and council tax support), adverse impacts our borrowing costs, increased fuel and utility costs and impacts on our commercial property and other income. The council is already facing many of these challenges and these are anticipated to continue in the medium-term.

2.1.14 Increased costs have been included in our medium-term forecasts where we are seeing these increases in service demand, such as with homelessness, which affects both our direct costs relating to accommodation, but also our unsubsidised spend on housing benefits for supported housing.

2.1.15 The Bank of England (BoE) increased Bank Rate has recently fallen to 3.75% from 4.75% this time last year.

2.1.16 CPI inflation has increased during 2025 to reach a rate of 3.8% in September 2025, compared to 1.7% in September 2024. Looking ahead, using the bank rate path implied by financial markets, the estimates are that CPI inflation begin falling back to the 2% target in the medium term.

- 2.1.17 The council is currently benefiting from higher interest rates on its balances, but this also means we are facing higher borrowing costs for any new borrowing we undertake.
- 2.1.18 We take a balanced approach to our forecasts, using national and professionally derived forecasts for the economy. This is a key area in our sensitivity analysis and reserves strategy.
- 2.1.19 Fuel continues to be a very volatile cost, and whilst we do enter into longer term arrangements for our utilities, these are still subject to market fluctuations, as are vehicle fuel costs (and some elements of contractual inflation, such as our waste contract). On this basis we take a more prudent approach to forecasting fuel increases to ensure we do not have significant unforeseen costs occurring in year.
- 2.1.20 Interest rates have stabilised more than in previous years, but the council could be impacted in 2026/27 for contractual inflationary increases, if inflation were to increase again.
- 2.1.21 Rates which have been used to inform our strategies and forecasts are shown in the table below:

Area	2026/27	2027/28	2028/29
CPI	3.8%	2%	2%
Borrowing* <sup>1</sup>	5.5%	5.2%	5.2%
Bank of England Base Rate* <sup>2</sup>	3.25%	3.25%	3.25%

\*<sup>1</sup> The rate shown is the estimate for general borrowing. The Housing Account can obtain a discounted rate.

\*<sup>2</sup> The rates provided by Arlingclose is their view of the most likely position. They also believe there is a risk rates could be higher or lower than this, depending on economic data.

- 2.1.22 It is worth noting that following a Public Works Loan Board (PWLB) consultation, and restrictions being implemented for restricting borrowing from PWLB, the previous decision to increase interest rates was reversed in 2020, reducing rates available to the council by 1%. To continue to be able to access this funding the council must not look to invest in assets purely for commercial returns, for which it continues to have no plans to do so.
- 2.1.23 A new discounted rate for borrowing related to the HRA was introduced in June 2023, which provides a 0.6% discount on the standard PWLB borrowing rates. This rate has subsequently been extended to March 2026. Further extensions to this rate are anticipated.
- 2.1.24 Our ambitious housing and regeneration delivery programmes mean our capital expenditure, and income, is directly impacted by changes in market conditions. These changes can impact on the resources available to the council, or the cost of investment. In turn, this can directly impact on the cost of borrowing, and our revenue forecasts.

#### Contracts and Shared Services

- 2.1.25 We are in contractual arrangements with service providers for some of our services. Many of our contracts are directly linked to price indices indexation.
- 2.1.26 A few of these, which have been in long term arrangements, have recently expired and been re-tendered, or will be expiring in the coming months and years and we will need to consider the future delivery method for these services. A list of our key revenue contracts, annual values and end dates are in the table below:

Service	Provider	Average Annual Value	End Date
Revenues and Benefits	Liberata	£1.7m	March 2030
Waste Services and Ground Maintenance	Urbaser	£5.7m	March 2029
Grounds Maintenance	Continental Landscapes	£1.4m	March 2029
Housing Repair and Maintenance (HRA)	Morgan Sindall	£11.6m	Sept 2032
Leisure Services	Greenwich Leisure Limited	£0.2m	Jan 2029

2.1.27 We also have some shared service arrangements with other Councils, these deliver efficient services and provide economies of scale. Our key shared services are the Herts Shared Internal Audit Service, and Herts Building Control. In 2023/24 we also joined the Shared Anti-Fraud Service provided through Hertfordshire County Council, which has been performing well.

2.1.28 Inflationary increases have a direct impact on our finances as our key contracts have provisions for annual price increases based on the most appropriate indices for the relevant contract, and market conditions may also have an impact when existing arrangements come to an end, and we put in place new arrangements for service delivery.

#### Demographics, Business and Local Plan

2.1.29 Demographics of the area have a direct impact on our services and finances. Our Local Plan, which was approved during 2023, sets the direction for the area in terms of housing and commercial developments, and general growth in the area.

2.1.30 There is a commitment to review the local plan in the coming years, and we hold an earmarked reserve to support with the cost of this. From 2028 we would need to consider the ongoing resource requirements here if Local Government Reorganisation were to be delayed or ceased, and build ongoing costs associated with a rolling review of the plan, into our base budget.

2.1.31 Increases in the numbers of households and businesses, positively impacts on the council tax, business rates and other income that we can raise, but also places more pressure on services and can be directly linked to contractual increases.

2.1.32 Other demographic changes can also impact on our services and finances, for example an aging population may increase demands on sheltered accommodation, housing benefit and council tax support.

2.1.33 Average increases for previous years have been assumed for in relation to planning. We will continue to keep this under review.

#### Legislative changes

- 2.1.34 Legislative changes made by Government, often have a direct impact on the services we provide and the income we can raise. This can include increased duties, transfer of functions and restrictions on income generation.
- 2.1.35 In recent years, we have been restricted from increasing housing rental income (HRA) in line with inflation, and in fact had to reduce rent by 1% per annum for four consecutive years until 2020. This had a material effect on the income available to the Council for the development of new housing.
- 2.1.36 The governments rent policy announcement was announced on 28 January 2026, and will see rent convergence mechanisms being introduced from April 2027.
- 2.1.37 Other legislative changes made in recent years include changing planning fees to allow additional investment into planning services, increasing our duties on homelessness which in turn increased our costs and demand on the service, transferring land registry functions to HMLR, changes to business rates, and changing legislation around houses in multiple occupation, expanding the licencing remit of council and allowing charges to be made for these licences.
- 2.1.38 Legislative changes rarely come with additional ongoing funding. We will usually receive a one-off grant from the Government which will help support set up costs of new requirements, but we generally have to find ways to cover the ongoing costs of these changes.

#### Pay and Pensions

- 2.1.39 For the review of pay and employment conditions, we are part of an arrangement with the National Joint Council which allows negotiations to take place with the unions at a national level.
- 2.1.40 The most recent agreement was a one year pay settlement for 2025/26, which gave an average increase of 3.2% per annum.
- 2.1.41 No agreement has been reached for 2026/27 onwards. This is a key area for our sensitivity analysis and reserves strategy.
- 2.1.42 We are also part of a nationally agreed scheme for pensions. The 2023 triennial valuation was showed the fund as 105% funded, and strong improvement from the previous valuation, and the 2026 valuation shows the fund now at 130% funded. Due to the scheme being in a strong position, the current rates have been reduced from 19.5% to 16.7% of salaries, and the annual lump sum payment has been ended.
- 2.1.43 In order to ensure that future payments are affordable in relation to the back-funding of the pension fund, stepped increases to the base budget have been included from 2029/30, in line with the stepped increases included in the last triennial valuation. The next valuation will be due in 2029.

#### Welfare Support

- 2.1.44 We provide direct welfare support through the Council Tax Support Scheme, which is funded locally as a direct cost to our budget. Other support, such as Housing Benefit, is administered by us but is generally, but not completely, funded by the Government.

- 2.1.45 Impacts on the wider economy from factors such as the pandemic and the end of the transition period with the EU, have a direct impact on us through the level of Council Tax Support that will need to be funded.
- 2.1.46 The pandemic saw a significant increase in unemployment and those in need of financial support. This in turn saw an increase in our residents applying for council tax support. This has a direct impact on the amount collectible from council tax. There has been a reduction in council tax support since restrictions have lifted. Assumptions have been made in the council's tax base calculation for similar levels in 2026/27 as they are in 2027/28.
- 2.1.47 We have seen an increase in demands on temporary accommodation and housing benefit support for those in supported accommodation. Some of these supported housing claims are not fully supported by government funding, so as these payments increase, our net costs also increase. An annual provision for increases in these areas has been included in our forecasts.
- 2.1.48 An extensive review is currently underway with specialist consultants to review the supported housing claims and landlords, to seek to mitigate some of these rising costs where possible within the statutory framework.
- 2.1.49 In addition, the Government continues to roll out universal credit, which will see eventually Housing Benefit removed from our administration, as it will bring Housing Benefit together with other welfare support provided by the Government.
- 2.1.50 At this stage, indications are that we will continue to have responsibility for providing Housing Benefit to those of pensionable age for the foreseeable future.
- 2.1.51 Welfare reforms were expected to have a direct impact on our Housing Revenue Account. As additional caps to benefits are made and claimants transition to universal credit, we had expected it to become more difficult to collect rental income. Rental collection has generally remained strong. This continues to be closely monitored, but at this stage the budgetary allowance for the annual top up to the bad debt provision remains broadly consistent with the previous year.

### Council Tax

- 2.1.52 The Government remains committed to maintaining council tax referendum principles. These principles aim to strike a balance between giving local authorities the flexibility to determine their own level of council tax and ensuring local residents have the final say on excessive increases.
- 2.1.53 Historically, we froze Council Tax for seven consecutive years, followed by two £5 per annum increases, a 2.5% increase in 2019/20, a 1.5% increase in 2020/21, a 1.97% increase in 2021/22, a 2.26% increase in 2022/23, a 3% increase in 2023/24, a 2.96% increase in 2024/25 and a 2.99% increase for 2025/26.
- 2.1.54 For 2026/27, the government has capped our increase in council tax by a maximum of 3% or £5 (whichever is greater). For our budget, we have set a £7.29 band D increase for 2026/27, equating to 2.98%.

### Capital, Investments and Borrowing

- 2.1.55 Our capital plans can have a direct impact on our revenue budget. Through spending reserves and capital balances on investment (such as regeneration and housing), we hold less cash, and therefore get less interest return.

- 2.1.56 If we borrow to fund a capital project, we incur interest costs on this borrowing, and have a duty to ensure repayment is affordable in the medium to longer-term. It is important we forecast the timing of our projects well, to prevent borrowing in advance of need, where unnecessary costs would be incurred.
- 2.1.57 With capital projects, there may also be ongoing revenue costs (for example as maintenance of vehicles), or savings that need to be considered in the medium to longer-term context.
- 2.1.58 We have seen a one off Business Rates surplus which will impact the 2026/27 budget. Due to the high level of capital spend planned for 2026/27, this will be utilised to part fund the capital programme, reducing the revenue implications of the programme on the 2027/28 budget.
- 2.1.59 We have previously raised all of our long-term borrowing from the PWLB. Our Treasury Management Strategy (Annex F) sets out who we can borrow from, although generally the of PWLB is the most suitable option for our requirements.

## 2.2) Revenue Forecasts and Assumptions

### General Fund

2.2.1 Starting with our proposed 2026/27 budget, we have undertaken medium-term forecasts for our General Fund Revenue budget. We have used the following key assumptions, along with other known factors (such as one off items, our reserves strategy and any savings or growth already identified in budget reports for future years):

	<b>Assumption</b>
<b>Grant Funding</b>	In line with table 2.1.11
<b>Business Rates</b>	In line with table 2.1.11  A business rates earmarked reserve will be maintained to support any fluctuations in funding from 2027/28.
<b>Inflation / Contracts (2.1.11 onwards)</b>	Contracts inflated by CPI (actual arrangements may vary from this but it is used for a proxy for general inflation)  Income and general costs inflated by CPI  Fuel and utilities inflated by 5%
<b>Pay and Pensions (2.1.31 onwards)</b>	Pay inflated by 3.5% in 2027/28 and 3.0% each year after  Annual sum increased by 5% from 2029, when the next valuation is due.
<b>Welfare Support (2.1.38 onwards)</b>	All costs associated with welfare reform will be met by the Government  Changes to Council Tax Support have been included in the council tax base.  Annual increases have been assumed to unsubsidised benefits costs from 2027/28 in relation to supported and temporary accommodation
<b>Council Tax (2.1.43 onwards)</b>	Growth in housing numbers by 1% per annum  Increase in charge by 3% each year
<b>Borrowing and Investments (2.1.47-49 and 2.1.11 onwards)</b>	Average Investment Income Rate 3.5% (excluding CCLA property fund)  New Borrowing Rate 5.2% over the three year plan

2.2.2 The forecasts based on these assumptions, shown in table 2.2a, indicate a savings requirement of £0.566m in 2027/28, rising to a cumulative £1.888m over the term of the forecasting period.

2.2.3 These forecasts include the reserves strategy, as set out in 2.3.26, in which we will be utilising an element of our general reserves to smooth the impacts of grant reductions and our reliance on the business rates growth income.

2.2.4 We have already embarked on a number of projects and programmes to support the delivery of these challenging targets (section 2.3), but additional efficiencies will need to be identified in order to continue to deliver a balanced budget.

Table 2.2a - General Fund Forecasts

	2026/27 Budget	2027/28 Forecast	2028/29 Forecast	2029/30 Forecast
<b>Cost Of Services</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Employees	17,573	18,103	18,522	19,078
Premises	5,359	5,524	5,696	5,851
Supplies and Services	7,597	9,466	8,049	8,246
Transport	67	68	70	71
Third Party Payments	14,535	14,898	15,270	15,576
Transfer Payments	32,997	33,247	33,497	33,747
Income	(53,409)	(53,361)	(53,579)	(53,698)
Net Recharge to HRA	(6,394)	(6,554)	(6,718)	(6,852)
Impact of previous savings	0	0	(566)	(1,242)
<b>Net Cost of Services</b>	<b>18,323</b>	<b>21,391</b>	<b>20,242</b>	<b>20,777</b>
Income from Council Tax	(13,980)	(14,399)	(14,831)	(15,276)
Business Rates Income	(4,669)	(4,800)	(4,900)	(5,000)
Collection Fund (Surplus)/Deficit	(1,489)	0	0	0
Revenue Support Grant	(5,060)	(5,200)	(5,300)	(5,400)
Homelessness Grant	(1,243)	(1,294)	(1,338)	(1,378)
Interest Income	(250)	(250)	(100)	(100)
Capital Financing (Leases, contributions to capital, interest, minimum revenue provision)	5,005	3,842	3,982	4,004
Capital Financing (Leases, contributions to capital, interest, minimum revenue provision)	2,763	2,846	2,931	4,004
Contribution (from) / to Earmarked Reserves	664	(1,570)	(10)	0
<b>Total Other Income and Expenditure</b>	<b>(18,259)</b>	<b>(20,826)</b>	<b>(19,566)</b>	<b>(20,131)</b>
<b>Budget Gap (Single Year)</b>	<b>64</b>	<b>566</b>	<b>676</b>	<b>647</b>
<b>Budget Gap (Cumulative)</b>		<b>566</b>	<b>1,242</b>	<b>1,888</b>

2.2.5 Due to the level of uncertainty in the economy and government funding, additional scenarios have been modelled, to give an indication of the impacts of upside and downside risks to the assumptions made.

2.2.6 The upside risk scenario shows the impact if inflation is not as high as anticipated, although this is a highly unlikely scenario.

2.2.7 This includes reductions to all forecast rates, including a 2.5% assumption for employee costs, 2.5% general inflation, and 3% on utilities.

2.2.8 It also includes more favourable assumptions on the on pressures currently funded by specific grants (homelessness) and benefits subsidy.

	2026/27 Budget £'000	2027/28 Forecast £'000	2028/29 Forecast £'000	2029/30 Forecast £'000
<b>Budget Gap (Single Year)</b>	64	37	415	379
<b>Budget Gap (Cumulative)</b>		37	453	832

2.2.9 The downside risk scenario shows the impact if inflation is greater than anticipated, and this is a more likely scenario than the upside risk scenario given the recent economic turmoil.

2.2.10 This includes increase to all forecast rates, including a 4% assumption for employee costs reducing to 3.5% then 3%, 6% for borrowing rates, 3.5% general inflation.

2.2.11 It also includes more favourable assumptions on the on pressures currently funded by specific grants (homelessness) and benefits subsidy.

2.2.12 Business rates income has been assumed to reduce over the term to the safety net.

	2024/25 Forecast £'000	2025/26 Forecast £'000	2026/27 Forecast £'000	2027/28 Forecast £'000
<b>Budget Gap (Single Year)</b>	64	1,357	1,240	711
<b>Budget Gap (Cumulative)</b>		1,357	2,597	3,308

Housing Revenue Account

2.2.13 For the Housing Revenue Account, due to the longer-term basis of investment in housing, we undertake 30-year planning and forecasting. This is in line with the wider housing sector, and the focus is on the affordability of investment and new build housing rather than meeting savings targets. We do however continue to monitor and review the services provided to ensure these continue to deliver best value.

2.2.14 Based upon the proposed 2026/27 budget and other known factors (such as one-off items, our reserves strategy and any savings or growth already identified in budget reports for future years), we have undertaken forecasts for our HRA using the following key assumptions:

	<b>Assumption</b>
<b>Inflation / Contracts</b>	Contracts inflated by contractual inflationary indices  Income and general costs inflated by CPI  Fuel inflated by 5%
<b>Pay and Pensions</b>	Pay inflated by 3.5% in 2027/28 and 3.0% each year after  Annual sum increased by 5% from 2029, when the next valuation is due.
<b>Housing Rent</b>	CPI + 1%  Adjustments will be made to the 2027/28 business plan to account for the implementation of rent convergence from April 2027.
<b>Borrowing</b>	Average borrowing rate of 4.8% over the 30-year plan
<b>Investment</b>	Investing in stock based upon conditions survey and our minimum housing standards  Continuing to replace sold Right to Buy properties through new development and/or purchase of properties.

2.2.15 The main expenditure activities of the HRA are in relation to the management, repairs, maintenance and investment into our social housing.

2.2.16 The forecasts based on these assumptions, shown in table 2.2b, demonstrate that we will be able to maintain our HRA reserves in line with our reserves policy (Annex A). Based on the longer forecasts, debt is expected to be repaid within a 33-year period, within the remit of the 30-year plan. Now rent convergence mechanisms have been confirmed as being introduced from April 2027, this will have a positive impact on the 30 year plan, bringing borrowing back into the 30 year plan window, as set out in 30 year Housing Business Plan (Appendix J).

2.2.17 More detail on the 30-year plan can be found in the budget pack, The Housing Business Plan (Appendix J).

Table 2.2b – Housing Revenue Account Forecasts

	2026/27 Budget £'000	2027/28 Forecast £'000	2028/29 Forecast £'000
<b>Income</b>			
Rental Income	(65,073)	(67,772)	(69,913)
Non Dwelling Rents	(673)	(729)	(775)
Charges for Services and Facilities	(3,512)	(3,725)	(3,807)
Other Income	(35)	(37)	(38)
<b>Total Income</b>	<b>(69,295)</b>	<b>(72,263)</b>	<b>(74,510)</b>
<b>Expenditure</b>			
Repairs and Maintenance	17,090	18,158	18,577
Management, Special Service and Rates/Taxes	18,971	20,142	20,206
Allowance for Doubtful Debt	651	695	717
Depreciation	16,576	17,074	17,586
Other Expenditure	14	14	14
<b>Total Revenue Expenditure</b>	<b>53,303</b>	<b>56,083</b>	<b>57,102</b>
<b>Other Items of Income and Expense</b>			
Interest Payable	7,800	9,425	10,764
Interest Received	(151)	(158)	(142)
Revenue Contribution to Capital	7,280	7,639	6,876
<b>Net (surplus)/deficit</b>	<b>(1,062)</b>	<b>727</b>	<b>89</b>

	2026/27 Budget £'000	2027/28 Forecast £'000	2028/29 Forecast £'000
<b>HRA Reserves</b>			
Opening HRA Balance	3,334	4,395	3,668
Net (deficit)/surplus	1,062	(727)	(89)
<b>Closing HRA Balance</b>	<b>4,395</b>	<b>3,668</b>	<b>3,579</b>

## 2.3) Revenue Strategies and Efficiency Programmes

- 2.3.1 Our current forecasts show a budget gap of £0.566m, inclusive of our planned use of reserves to support the collection fund deficits, and funding transition. If the council were not to put robust plans in place to address this gap, reserves would fall below the recommended minimum balance. This section sets out how we plan to deliver efficiencies to deliver a balanced budget.
- 2.3.2 We have embarked on a range of projects and programmes which will support us to deliver our aims and also support the delivery of a balanced budget. Principally these focus on the General Fund, although our Transformation Programme will deliver efficiencies for both revenue funds.
- 2.3.3 In addition to these, there are numerous strategies and policies which are reviewed on an annual basis which can be used to help us drive efficiencies.

### Transformation Programme

- 2.3.4 In 2019, following a very positive Local Government Association Peer Challenge report and recommendations, our chief executive set out a vision to all staff on the modernisation and transformation of our services.
- 2.3.5 The programme was reset at the end 2022 when the new Transformation Strategy was launched.
- 2.3.6 A suite of strategic, medium-term projects continue to change the way we work and deliver services, including our transformation strategy which covers our culture and workforce, IT and digital services, the customer experience and channel shift, and project management. These various streams of work will not only improve the services we deliver but also generate efficiencies in the way we deliver them.
- 2.3.7 A number of efficiencies have been included in previous budgets from this programme, and these savings continue to be delivered. Further reviews have been undertaken and the targets for these were included in the 2025/26 budgets.
- 2.3.8 The new transformation strategy, for the period 2026-2029, was presented to Cabinet in January 2026.

### Baseline Reset

- 2.3.9 A baseline budget reset was undertaken for the 2020/21 budget following a historic trend of underspends. This review involved reviewing the average spend for the previous three years, and resetting budgets based on need. This review now forms part of an annual rolling programme of budget reviews, but savings would not be anticipated of the same level in future years.
- 2.3.10 Although not to the same scale as the efficiencies released in 2020/21, further savings were released under this strategy in the 2022/23 to 2025/26 budgets. This review will be undertaken again during 2026 to identify any further savings that could be released.

2.3.11 The local plan, which identifies key sites for future housing and employment developments, was approved in 2023. The plan will impact on housing numbers in the area, therefore affecting council tax and grant income. It will also impact on employment developments, affecting business rates. A review of the basis of our forecasts will be kept under review as key developments in the Borough are progressed.

#### Asset Management, Disposals and Property Development

2.3.12 We aim to drive best value from our assets, both revenue and capital, which will support in delivering the required efficiencies.

2.3.13 In addition, we will be continuing to drive forward with the redevelopment and regeneration of council owned sites identified in the asset management strategy and local plan. This will in turn increase asset value, revenue/capital returns, and council tax and business rates generation.

2.3.14 Asset condition surveys were completed in recent years and have identified works required in future years. A planned programme of works was developed over 2022/23, and this was incorporated into the 2023/24 capital budget, along with a five year programme of works.

2.3.15 In addition, we continue to undertake reviews of our holding of land and buildings, with an aim to generate capital receipts through the disposal or transfer of sites, to be utilised towards reducing the councils borrowing.

2.3.16 This strategy will positively impact on the cost of servicing our borrowing, which falls to the revenue account. Careful consideration will be made when investigating these sites for disposal, especially where the assets are, or could be, generating an annual income stream.

2.3.17 This approach was adopted for the 2024/25 budget, where around £3.3m of capital receipts were expected and were used to reduce borrowing, to deliver savings of around £390k on borrowing costs. Further disposals would not generate the same level of savings due to the receipts being used to reduce borrowing against assets with a shorter life.

2.3.18 We will always consider potential disposal of investment properties before we undertake new borrowing.

#### Contracts

2.3.19 As a number of our large contracts come towards an end, we will take the opportunity to undertake market testing and analysis to understand if outsourcing these services still offers the best value for money. We will consider all options for these services, including delivering directly, outsourcing, and shared services.

2.3.20 In particular the Sorpa Steria contract ended in 2022/23. This saw the insourcing of both the contact centre and ICT services, which generated savings for the 2023/24 budget and further savings are included for 2024/25. The continued outsourcing of Revenues and Benefits also generated savings for the 2023/24 budget and beyond. Further savings have been incorporated into the 2025/26 budget following systems transition, and some additional savings are anticipated in 2026/27.

#### Financial Planning Framework

3.1.1 Our growth and savings are reviewed and approved in line with our Financial Planning Framework (Annex D), which includes reviewing proposals against our corporate objectives.

### Fees and Charges

2.3.21 As part of our budget setting process, we maintain a fees and charges strategy which provides the key principles behind the setting of fees and charges (Annex B). In general, the key principles are:

- We will charge users for services, where we have the power to do so
- We will aim to recover the cost of services through fees and charges
- We will be transparent and be able to justify when there is a policy decision not to charge or fully recover the cost of a service

### Risk Management

2.3.22 Risk Management is a key feature of our financial planning process. We are aware of the need for effective risk management and consider the assessment and minimisation of risk to be vital. We have a Risk Management Strategy in place, and our financial risks are assessed in line with our overall approach to risk management.

2.3.23 To mitigate risk we monitor our spend and income against budgets, and use performance and risk management software to monitor and report on risks and key indicators which have financial implications.

2.3.24 We report quarterly to Cabinet and to Performance Clinics, which provides the platforms for Members to scrutinise our financial and non-financial performance and risks.

2.3.25 As part of determining our minimum reserves (working balances), we undertake a high-level assessment on the risks we have identified in our MTFS. This informs our reserves policy. A summary showing the potential impact of some of the key risks we have identified is shown in the following table:

<b>Risk</b>	<b>Scenario</b>	<b>Impact (£m)</b>
<b>Council Tax</b>	Economic downturn adversely impacts development of new housing and 10% increase in Council Tax Support	0.250
<b>Inflation</b>	Salary and contract inflation greater than budgeted by 2%	0.500
<b>Borrowing</b>	Changes in economy adversely impact borrowing rates by 1%	0.800
<b>Efficiencies</b>	We fail to deliver our budgeted savings	5.200
<b>Utilities</b>	Increase in utilities of 25% - high uncertainty around costs	0.550
<b>Income</b>	Impact to income from reduction to demand on discretionary services due to economic conditions.	1.600

### Reserves Policy and Strategy

2.3.26 Our Reserves Policy (Annex A) sets out how we will maintain an adequate level of reserves for future risks and uncertainties, and how we will use our earmarked reserves to help us achieve our objectives (such as through funding a one off invest to save project). In summary:

- We will report annually on the adequacy of our reserves
- We will maintain a minimum working balance on the General Fund of between 5% and 15% of turnover (excluding benefit grant income).
- We will maintain a minimum working balance on the HRA of 5% of turnover
- We will ensure reserves are monitored and reported on regularly

2.3.27 Our general working balances are above our minimum assessed need of £2.9m and may be utilised to support the budget gaps in future years.

#### Capital Costs

2.3.28 Our Capital Forecasts and Strategy (section 3) sets out our approach to how we determine what we spend on capital projects, and how these assessed for revenue implications.

2.3.29 Our Minimum Revenue Provision Policy (Annex C) sets out how we determine the most efficient and affordable way to repay our borrowing.

2.3.30 Our Treasury Management Strategy (Annex F) and Investment Strategy (Annex E) ensure we take a risk-based approach to the management of our cash, investments and borrowing, balancing risk against return/cost.

#### Council Tax

2.3.31 We set our council tax increases on an annual basis as part of our budget setting process. For the purposes of forecasting, a 3% increase has been assumed for 2027/28 and 2028/29. However, we may decide to increase at a different level when setting the budget, to help meet our challenging targets, subject to Government caps.

### 3 Capital Forecasts and Strategy

Capital expenditure is what we spend on assets, such as property, vehicles, buildings and software, which will last more than one year. For local councils, it can also include spend on assets owned by others, such as grants to voluntary organisations made for capital purposes.

#### 3.1) Summary and Approach

- 3.1.1 Our Capital Forecasts and Strategy provide a high-level overview of how our capital expenditure, financing and treasury activities contribute to our overall financial position, and how they contribute to the delivery of our services.
- 3.1.2 A key aspect of our capital activities is ensuring we have clear risk management processes and indicators in place to inform robust decisions, and to understand the implications of any decisions on our longer-term financial sustainability.
- 3.1.3 We maintain a register of our assets and key components, hold conditions surveys for these, and have a pipeline of development sites, which helps to inform future capital expenditure requirements and capital income opportunities.
- 3.1.4 Our budgets are set and approved in line with our Financial Planning Framework (Annex D), and expenditure is capitalised in line with international accounting standards, the CIPFA code of conduct and our own accounting policies (which are published in our annual statement of accounts).
- 3.1.5 As with our revenue accounts, we maintain separate capital records for our General Fund and our Housing Revenue Account assets.

#### Economic and Market Conditions

- 3.1.6 As outlined in our revenue summary, there continues to be uncertainty in economic and market conditions, particularly with cost-of-living crisis.
- 3.1.7 Sudden and material changes in market and economic conditions can potentially have significant impacts on the Councils capital programme.
- 3.1.8 There is a possibility that supplies may be inflated due to the current conditions, and that there may be additional costs associated with social distancing and having covid-secure welfare facilities for construction projects. Increases continue to be seen in materials such as steel and concrete.
- 3.1.9 Increases in inflation can directly impact the cost of delivery of a capital project and increase our borrowing requirements.
- 3.1.10 Such increases, along with changes in the housing market, could make some of our planned schemes unviable to deliver, and should material changes arise above contingencies, a reassessment of viability would be undertaken.
- 3.1.11 We mitigate these risks where possible, by taking professional market advice, ensuring inflation is applied to future capital schemes in our programme, and build in a risk-based contingency to our capital projects.

## 3.2) Capital Forecasts and Assumptions

3.2.1 A summary of our capital expenditure forecasts including our forecast for rephasing from 2025/26 are as follows:

	2026/27 £'m	2027/28 £'m	2028/29 £'m	2029/30 £'m	2030/31 £'m
General Fund (GRF)	7.269	4.439	2.393	2.578	2.393
Housing Revenue Account (HRA)	61.216	57.735	47.635	38.415	37.179
<b>TOTAL</b>	<b>57.796</b>	<b>62.174</b>	<b>50.028</b>	<b>40.993</b>	<b>39.572</b>

3.2.2 The majority of spend in our general fund is in relation to regeneration and operational property projects. On the HRA, most of the expenditure relates to the delivery of new affordable housing and investment into our existing housing stock. A detailed list of our capital projects can be found in our budget pack, published on our website by April each year.

3.2.3 We have a range of sources available to us to finance our capital expenditure. These include grant receipts, income from the sale of assets, contributions from our revenue balances (including depreciation), and borrowing. We determine the financing for expenditure as part of our budget setting process.

3.2.4 A large proportion of the financing for our HRA new builds, comes from a statutory process for the sale of our housing to tenants (the Right to Buy scheme). Following the reduction to the discounts available from November 2024, we have assumed 20 sales per year.

3.2.5 The tables below show our forecasts for the financing of our capital expenditure.

General Fund	2026/27 £'m	2027/28 £'m	2028/29 £'m	2029/30 £'m	2030/31 £'m
Grants and Contributions	1.592	0.592	0.592	0.592	0.592
Reserves and Revenue Contributions	2.105	0.814	0.814	0.814	0.863
Borrowing	3.572	3.033	0.987	1.172	0.938
<b>TOTAL</b>	<b>7.269</b>	<b>4.439</b>	<b>2.393</b>	<b>2.578</b>	<b>2.393</b>

Housing Revenue Account	2026/27 £'m	2027/28 £'m	2028/29 £'m	2029/30 £'m	2030/31 £'m
RTB Receipts	8.296	14.085	2.744	3.278	1.888
Grants and contributions	2.555	2.250	0.000	0.000	0.000
Reserves and Revenue Contributions	25.298	28.473	26.548	25.930	26.264
Borrowing	25.067	12.927	18.343	9.207	9.027
<b>TOTAL</b>	<b>61.216</b>	<b>57.735</b>	<b>47.635</b>	<b>38.415</b>	<b>37.179</b>

3.2.6 As shown in the tables above, we do finance some of our schemes through the use of borrowing. We can decide to postpone external borrowing and use our revenue reserves to

support the cash flows of capital expenditure. This is known as internal borrowing and reduces the interest costs we incur on borrowing in the short to medium term.

3.2.7 The total amount of cash required to fund the schemes we borrow for (whether internally or externally) is known as the Capital Financing Requirement (CFR). It is important that we monitor our requirement, as this will require repayment in the longer term, and we ensure we have strategies in place for repayment. Our CFR forecasts are as follows:

	2026/27 £'m	2027/28 £'m	2028/29 £'m	2029/30 £'m	2030/31 £'m
General Fund	68.364	69.866	69.202	68.670	67.815
Housing Revenue Account	308.573	323.750	342.093	351.300	360.327
<b>TOTAL CFR</b>	<b>376.937</b>	<b>393.615</b>	<b>411.295</b>	<b>419.970</b>	<b>428.142</b>

### 3.3) Capital Strategies and Indicators

3.3.1 In order to ensure our longer-term financial sustainability, and the affordability of our capital plans, we maintain numerous strategies and make use of indicators. These also help inform our decisions and monitor risk.

#### Financial Planning Framework

3.3.2 Our capital projects are reviewed and approved in line with our Financial Planning Framework (appendix D), which includes the calculation and approval of our capital indicators on risk exposure and affordability. This ensures sound governance is embedded into our budgetary approval process.

#### Financing Approach

3.3.3 We will always seek to apply for and utilise grant funding, ringfenced funds and contributions received before utilising other unrestricted funds. This minimises the ongoing burden of borrowing, and maintains capital reserves where possible.

3.3.4 We aim to restrict borrowing to income generating, or long-term assets (40+ years). This is also to minimise the ongoing impact of borrowing.

3.3.5 We aim to fund the shorter-term projects, rolling programme and any other schemes from capital reserves and balances. We can also make a voluntary revenue contribution to capital, to reduce borrowing or to reduce the use of capital balances.

3.3.6 In line with our asset disposal strategy (see 2.3.12), we opt to apply additional capital receipts generated by this strategy, to reduce our CFR, thereby also reducing the impact on revenue of our borrowing.

#### Debt Repayment

3.3.7 We must ensure that we set enough money aside each year, for the repayment of our CFR. There are different statutory arrangements that govern the requirements for our General Fund and Housing Revenue Account.

3.3.8 For the General Fund, we maintain a minimum revenue provision (MRP) policy (Annex C). This sets out how we will determine over what period we should set aside funds to fully repay our CFR.

3.3.9 We will ensure that there is a balance between the cost of MRP and the affordability of debt, through the annual review of our MRP policy. Our general approach is to pay for an asset over its expected life, subject to the maximum statutory limits.

3.3.10 The Housing Revenue Account makes annual repayments of debt, and the affordability is assessed as part of our thirty-year business plan. Our business plan shows debt repayment well within the thirty-year period, demonstrating the affordability of our plans.

3.3.11 For the General Fund, in order to ensure affordability, we forecast and monitor the value of the minimum revenue provision (MRP). Based on our capital plans, our forecast of total MRP, and of the incremental impact of MRP, is shown in the following table:

	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
Forecast closing MRP 2025/26	1.054	1.054	1.054	1.054	1.054
Change in MRP		0.375	0.477	0.597	0.650
<b>Forecast MRP</b>	<b>1.054</b>	<b>1.429</b>	<b>1.531</b>	<b>1.651</b>	<b>1.704</b>

3.3.12 Where we borrow to make investments into services, which do not have a direct financial return (for example the replacement of our fleet), overall affordability is monitored through the use of the following indicators:

- Value: Cost of general fund borrowing in relation to total service income (income generating services, excluding community and commercial property)
- Value: Cost of general fund borrowing in relation to council tax (non-income generating services)
- Term: Years until debt free (Housing Revenue Account)

#### Investments and Commercial Strategy

3.3.13 We do not undertake capital investment activities which are purely for the generation of profit, as the main purpose of our capital investment activities are usually to meet our corporate objectives. Some of these activities may not have a partial objective of generating profit.

3.3.14 To ensure that we make robust and informed decisions, including a full understanding of risk, we will maintain an Investment Strategy (Annex E).

3.3.15 In summary, where we undertake investment activities, we will ensure we maintain a suite of indicators to monitor against, ensure professional advice is taken where appropriate and ensure officers maintain their professional development.

3.3.16 Our key indicators for investments and commercial activities are as follows:

- Ratio: Loan to value / CFR to asset base (community and commercial property)
- Ratio: Principal cover / MRP to income stream (community and commercial property)
- Ratio: Interest Cover / Income to interest cost (community and commercial property)
- Ratio: Interest Cover / Income to interest cost (Housing Company)

3.3.17 Additional indicators to monitor performance (such as occupancy rates of community and commercial assets) are monitored as part of the Councils performance framework and reviewed annually.

#### Treasury Management Strategy

3.3.18 Our Treasury Management Strategy (Annex F) ensures we maintain sufficient and not excessive funds to meet our spending needs. It provides the framework for managing the risks involved with investing our surplus cash and borrowing for investment in services or for cashflow purposes.

3.3.19 Our main priorities for the investment of cash balances are to ensure the security of our cash, and to maintain the appropriate level of liquidity to meet our needs. We give these objectives priority over the return on investment (interest income).

3.3.20 Our main priorities when undertaking borrowing are to achieve a low but certain cost of finance, whilst retaining flexibility should plans change in the future. These objectives can be conflicting, and so we seek to strike a balance between short and long term borrowing.

3.3.21 We formally report on our treasury management activities regularly (strategy setting, mid-year, and at year-end) and monitor against a set of indicators. These are:

- Borrowing Limit – Operational Boundary
- Borrowing Limit – Authorised Limit
- Borrowing Limit – Maturity Structure of Borrowing
- Investment Limit – Cash invested beyond one year

3.3.22 This strategy also set out how we apportion interest costs and income between our revenue accounts, the limits with financial institutions and details our use of specialist advisors.

## 4 Professional Advice, Skills, Training and Capacity

In order to ensure we can enact our strategy and governance framework; we must ensure we have the correct skills and capacity to do so. This section applies to all areas of our medium-term financial strategy and governance framework, including our policies, strategies and frameworks.

- 4.1.1 We have professionally qualified staff across a range of disciplines, including finance, legal and property.
- 4.1.2 We ensure our staff maintain continual professional development and attend courses to keep abreast of new developments and to enhance and develop their skills.
- 4.1.3 We will ensure we have or procure the right skills and knowledge to support the delivery of our all of our financial strategies and governance frameworks. Where specialist or technical knowledge is required, we will engage professional external advisors.
- 4.1.4 We establish project teams from the relevant professional disciplines as required but will also utilise external professional advice to support with technical/professional specialisms and/or capacity.
- 4.1.5 External advice will always be sought for significant investments, including treasury investments (such as treasury advice), commercial investments (such as property, treasury and legal advice), or service investments (such as legal advice, market expert advice and treasury advice).
- 4.1.6 Internal and external training is also available to our Members to ensure they have the up to date knowledge and expertise to understand and scrutinise financial decisions.

## **Annex A – Reserves Policy**

- A1 This policy supports our Medium-Term Financial Strategy and is reviewed annually. It sets the minimum level of balances required, explains the different types of reserves held, and our governance arrangements.
- A2 The policy applies to both the General Fund and Housing Revenue Account reserves, both revenue and capital. It is important that our Councillors understand the reserves policy and the importance of maintaining an adequate level of reserves when reviewing and approving our budget, which will be done with the advice of our Chief Financial Officer.
- A3 CIPFA guidelines were issued in November 2008 under [LAAP Bulletin No. 77](#). The main areas covered in these guidelines are set out in this policy together with our approach to these.

### **The Existing Legislative/Regulatory Framework**

- A4 The requirement for financial reserves and safeguards are set out in in statute (Local Government Finance Act 1992 and Local Government Act 2003). These requires us to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement, and to ensure safeguards are in place, including:
- Setting a balanced budget
  - Having the view of the Chief Finance Officer on the robustness of estimates and adequacy of reserves when considering the budget requirement
  - Making arrangements for proper administration of our financial affairs, where the Chief Finance Officer is the responsible person (Section 151 duties)
- A5 The Chief Finance Officer must report (under section 114) to all our councillors if there is, or is likely to be, unlawful expenditure or an unbalanced budget. This would include situations where reserves have become seriously depleted and it is forecast that the authority will not have the resources to meet its expenditure in a particular financial year. The issue of a section 114 notice by the Chief Finance officer cannot be taken lightly and has serious operational implications, likely including an immediate to all non-essential spending.
- A6 The level of reserves and balances required is not set by statute, and no prescriptive guidance is issued by CIPFA or the Auditors. There is no statutory minimum level of reserves. It is up to local authorities themselves to set their own level of reserves and balances on the advice of the Chief Finance Officer.

### **The role of the Chief Financial Officer**

- A7 Within the existing statutory and regulatory framework, it is the responsibility of the Section 151 Officer to advise the Council about the level of reserves that it should hold and to ensure that there are clear protocols for their establishment and use. For the Council, the Section 151 Officer is the Executive Director (Finance and Transformation).
- A8 The Council then, acting on the advice of the Section 151 Officer, and taking into account all local circumstances, must make its own judgements on the level of reserves and balances.
- A9 Local circumstances include the strategic, operational and financial risks and the adequate and effective systems of internal control.
- A10 The Chief Finance Officer will report to the Council on the adequacy of reserves, which is done alongside the budget, and reserve movements will be considered as part of our budget monitoring arrangements.

## Types of Reserve

A11 Usable reserves can be held for three main purposes:

- Working Balances – These reserves help to cushion the impact of uneven cash flows, avoid unnecessary temporary borrowing, and provide funds for unexpected events or emergencies.
- Earmarked Reserves – These are where funds are set aside for a future purpose such as to help deliver a long-term strategy, to change processes, deliver specific one-off projects, or to manage and mitigate specific risks. These future purposes can be very specific, or may be quite broad, dependant on the level of detail known when setting up a reserve.
- Capital Reserves – These are where we keep the balance of any unutilised capital funds. These funds can be made up of capital receipts, contributions, grants and contributions from revenue.

A12 We also hold other 'un-useable' reserves that arise out of legislation and accounting standards. These reserves are not cash backed and cannot be used for other purposes. These are separated on the face of our core financial statements which are published each year.

## Target Working Balances / Reserves

A13 The principles used by the Chief Finance Officer to assess the adequacy of unallocated general reserves when setting the budget, ensure that account is taken of the strategic, operational and financial risks facing the authority.

A14 Setting the level of reserves is just one of several interrelated decisions in the formulation of the medium-term financial strategy (MTFS) and the budget for a particular year.

A15 Consideration is given to the key assumptions underpinning the budget alongside the authority's financial management arrangements, and the risks, opportunities, economic and local factors identified in the MTFS. We also consider previous guidance issued by the Audit Commission.

A16 For the General Fund, a risk-based approach is taken to estimate reserve requirements, which is then considered as a percentage of turnover. This provides a risk-based approach to short term reserve levels, and a proxy for our forecasts of medium-term reserve requirements.

A17 For 2026/27, the minimum working balances have been assessed as £2.9m using a risk-based assessment, which equates to around 5.4% of turnover (excluding below the line items).

A18 We may decide to make use of the working balances to help balance the budget in the short term, such as for one off expenditure, due to a delay to an efficiency proposal, or to reduce the level of working balances to target. However, working balances will not be utilised for recurrent expenditure without this being explicit in the budget report, and on the advice of the Chief Financial Officer.

A20 For the Housing Revenue Account, due to the restricted nature of the funds, and lower exposure to as many risks, the target working balance is maintained as low as reasonably possible to minimise borrowing costs.

A21 Unlike the General Fund, the HRA also makes a large voluntary contribution to Capital each year. In the event of a substantial unforeseen event occurring, which impacts more than the level of reserves available, alternative funding of the event can be managed through a reduced revenue contribution to capital.

A22 On this basis, 5% of turnover is used, which supports cashflows, and provides a reasonable cushion for risk.

Earmarked Reserves

A23 Our earmarked reserve balances, the reason for holding these reserves, along with any budgeted contributions to and from these reserves, will be approved by Full Council as part of the annual budget setting process.

A24 Additional contributions to and from these reserves may be made during the year, or at the end of the year, as approved by Full Council or under delegated authority as appropriate.

A25 Priorities may also be identified as part of the budget setting process where new reserves, or increases to reserves may be required. Should there be a favourable variance at year end these would be the first areas for consideration.

A26 We will not create earmarked reserves for expenditure that should be treated as a provision, which is determined by accounting standards and the CIPFA code of practice on Local Government Accounting.

A27 Earmarked Reserves which have delegated authority to spend against, are set out below. Drawdowns from reserve not in line with original purposes, or which do not have delegated approval as set out below, will require supplementary estimates to be requested in line with the financial regulations:

<b>Reserve</b>	<b>Delegated Approval</b>
Transformation Reserve	Transformation Board in consultation with the Leader, Executive Member for Resources and the Section 151 Officer
Local Government Reorganisation Reserve	Chief Executive in consultation with the Section 151 Officer and the Executive Member for Resources
Business Rates Retention Reserve	Section 151 Officer in consultation with the Executive Member for Resources
Grants and Contributions Reserve	Section 151 Officer
Climate Change Reserve	Climate Change Member Group in consultation with the Section 151 Officer
Commitments Reserve	Section 151 Officer
Local Plan Reserve	Section 151 Officer in consultation with the Executive Member for Resources and Executive Member for Planning
Civic Buildings Reserve	Section 151 Officer in consultation with the Executive Member for Resources

Capital Reserves

A28 There is no target/minimum balance for capital reserves.

A29 Capital receipts and contributions are restricted for capital use, and reserves are used in line with the capital financing strategies set out in the MTFS.

A30 Consideration will be given to other financing methods to enable reserves to be utilised for future capital expenditure, while balancing the risk of investing and cost to carry.

A31 We will consider the strategic disposal of assets to generate additional capital receipts where appropriate and will do this in line with our asset disposal strategy.

Reporting and Governance Framework

A32 The Chief Finance Officer has a duty to local taxpayers and must be satisfied that the decisions taken on balances and reserves represent proper stewardship of public funds.

A33 Compliance with this policy assists the Chief Finance Officer to be satisfied that there are governance arrangements in place for our reserves.

A34 The level and utilisation of reserves is determined formally by the Council at its meetings to approve the annual budget and the final accounts. These decisions are informed by the advice and judgement of the Chief Finance Officer.

A35 The budget report presented annually will include the budget for the next financial year and will include a statement from the Chief Financial Officer on the adequacy of reserves over the lifetime of the medium-term financial strategy.

A36 We actively monitor our budgets throughout the year, and we will report on any forecast changes in the level of balances or reserves.

A37 Our annual statement of accounts includes a schedule of all reserves in the balance sheet. Significant reserve movements are explained in the Chief Finance Officer's foreword to the accounts and out-turn reports.

## **Annex B – Fees and Charges Strategy**

- B1 This Strategy supports our Medium-Term Financial Strategy and is reviewed annually. It sets out our approach to setting our fees and charges.
- B2 A significant proportion of our income is derived from fees and charges and a balance has to be struck between meeting our statutory responsibilities and the subsidies we provide for discretionary services. Our strategy has three core underlying principles:
- We will raise income from users of services wherever there is a power/duty to do so
  - Income raised should cover the full costs of providing the service, and will rise annually
  - Any departures from this policy must be justified with reference to the Council's priorities and policies

### Raising Income for Services

- B3 We believe that raising charges to recover costs is preferable to removing a service completely, and we aim to recover costs of services from the users of those services, unless there are wider benefits for funding a service in another way.
- B4 Statutory defined fees and charges will change in line with the governing legislation.
- B5 We will approve a full list of fees and charges at Full Council as part of our budget setting process, which will be published.
- B6 Concessionary charges may be set for a service and will be appropriate to the circumstances of the customer while encouraging increased participation for less advantaged groups. This should not lead to unjustifiable preferential treatment.
- B7 Delegation is provided to the Executive Member of Resources, in consultation with the Chief Financial Officer, to amend fees and charges in year, where there are changes in legislation or changes to external costs which directly impact on the amount we need to recover (an example is if the Land Registry amends their fees and charges, our legal fees which include the recovery of these costs, would need to be amended).
- B8 These delegations do not extend to a broader ability to amend fees and charges, but is limited to these particular circumstances. Where these circumstances do not apply, amendments to fees and charges would require Full Council approval.

### Covering Service Cost

- B9 We will aim to recover the full cost of services through the collection of fees and charges, including overheads, where it is possible to do so.
- B10 Our fees and charges will increase at least in line with inflation unless there is a clear reason for an alternative approach.
- B11 Consideration will be given to local circumstances, economic conditions, comparability/ benchmarking, the impact of changes on the usage of the service and the user's ability to pay.

### Departures from Policy

- B12 When we do not raise income in areas where we have the power to do so, we forego the opportunity to cover the cost of the service, which will increase our savings targets.
- B13 Members will scrutinise fees and charges and will be supplied with information to allow them to make decisions in a structured and explicit manner. Any decision to forego income or to subsidise a service is considered a policy decision and will be summarised as part of the budget pack provided to Council.

## **Annex C – Minimum Revenue Provision Policy**

- C1 This Strategy supports our Medium-Term Financial Strategy and is reviewed annually. It sets out our approach to determining how we will efficiently and prudently set aside funds for the repayment of our borrowing.
- C2 Where we finance General Fund capital expenditure through debt, we must also ensure we put aside resources to repay that debt in future years.
- C3 An amount is charged to the revenue account on an annual basis for this, and this is known as the Minimum Revenue Provision (MRP).
- C4 In determining how much we should set aside each year, we must have regard to the guidance issued by the Government and the Local Government Act. The most recent guidance was issued in 2024 by the Ministry for Housing, Communities and Local Government.
- C5 In order to ensure a prudent and efficient approach is taken to the repayment of debt, we will align the period of MRP charges to the period by which the capital expenditure/asset provides benefit, subject to statutory caps on repayment periods.
- C6 The guidance requires us to produce this annual statement/policy each year and sets out a number of options for determining an MRP charge. Our policy on charging MRP is as follows:
- We will adopt the Asset Life method for the calculation of our MRP, where the charge is calculated to reflect the life of the asset.
  - We will calculate MRP on a straight-line basis, where an equal instalment is made each year, and this charge will go to the repayment of external debt, or to the balance sheet to reduce the level of capital financing requirement.
  - We will not charge MRP in the year of purchase/scheme completion. MRP will be charged from the following financial year.
  - For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, we will follow the government guidance on MRP, applying capital repayments against MRP where allowed to do so.

## **Annex D – Financial Planning Framework**

- D1 This Framework supports our Medium-Term Financial Strategy and is reviewed annually. It sets out our approach to how we will determine our budget priorities, how we will assess budget changes, and our governance process.
- D2 When setting our budget, we start with our medium-term strategy, which includes all previously known factors and assumptions. We then take into account any changes to our plans based on the outturn of the most recent financial year. Outlined in the table below are the key stages involved in producing the budget:

<b>June</b>	<p>We agree our strategic priorities for the next year.</p> <p>Cabinet approves the framework for the budget setting process for the following year.</p>
<b>July/August</b>	<p>Budget setting guidance if issued to our senior officers.</p> <p>Officers are then asked to submit bid forms which outlines any proposals they are recommending for incorporation into our budgets, including capital projects, efficiencies and growth.</p>
<b>September / October</b>	<p>We update our medium-term financial forecasts to reflect the new bids submitted and/or amendments made to existing bids.</p> <p>All of the bids are reviewed by the Section 151 officer to ensure that the bids submitted have complied with the approved budget guidance.</p>
<b>October / November</b>	<p>All bids are then challenged and scrutinised by the Corporate Management Team, before discussion with for comments and recommendations.</p>
<b>December</b>	<p>The Provisional Local Government Finance Settlement is announced by the government (this indicates the levels of funding we will receive and any policy decisions that may change our budgets).</p>
<b>January</b>	<p>Our draft capital and revenue budgets are presented to Cabinet and to Overview Scrutiny Committee for consideration.</p> <p>Growth, savings and capital bids are considered against our priorities, and the impact on affordability and risk indicators considered.</p> <p>Any budget consultation with the public and/or business rates payers is also analysed and fed into the budget decision process.</p>
<b>February</b>	<p>Full Council approves next financial year's council tax, capital and revenue budget, and new Medium-Term Financial Strategy and Financial Governance Framework.</p>
<b>April</b>	<p>The new financial year commences, and the budget approved is then assessed under the monitoring process.</p>

## **Annex E – Investment Strategy**

- E1 This policy supports our Medium-Term Financial Strategy (MTFS) and is reviewed annually. It ensures we fully understand and consider the risks and opportunities of commercial and service-based investments.
- E2. It sets out our approach to investing money, specifically in relation these commercial and service investment activities.
- E3 Service based investment activities covers us lending money to, or buying shares in, other organisations.
- E4 Commercial investment activities cover property and other similar investments to where profit/return is the main purpose of the investment.
- E5 Investments made for treasury management activities (surplus cash arising from day to day activities and cash-flows), are covered separately by the council’s Treasury Management Strategy (Annex F).
- E6 We will ensure we have professionally qualified staff, and make use of external professional advice where appropriate, as set out in our MTFS.

## **Service Based Investments - Loans**

- E7 We have a number of loan arrangements with local charities, residents, its joint venture and its employees to support local public services and stimulate economic growth and provide affordable housing.
- E8 These loans are treated as capital expenditure. The main risks associated with service loans, is that the borrower will be unable to repay the principal amount lent and/or interest due. In order to limit the risk, and exposure remains appropriate and proportionate, limits are set.
- E9 We will set these limits giving consideration to the financial risks, an assessment of the demand for such services, our risk appetite and professional advice received. A summary of our loans for service purposes, and limits are shown in the table below:

Category of borrower	2024/25 Actual			2025/26	2026/27
	Balance Owing £000	Loss Allowance £000	Net Figure in accounts £000	Forecast Balance £000	Limit £000
Joint Venture	107	0	107	107	172
Local Charities	55	0	55	38	73
Local residents	4,135	0	4,135	4,135	4,549
Employees	16	0	16	25	500
<b>Total</b>	<b>4,313</b>	<b>0</b>	<b>4,313</b>	<b>4,305</b>	<b>5,294</b>

- E10 We are required through accounting standards to set aside a loss allowance for loans, to reflect the likelihood of non-payment. We make every reasonable effort to recover sums lent and have appropriate credit control arrangements in place.

- E11 Loans to residents shown in the table, are for the rent to mortgage scheme, which is no longer in operation. Although not in operation, balances are still collectable, and a charge is made against the relevant properties which ensures recovery when the asset is sold. There is therefore minimal risk with non-recovery.
- E12 In making loans, we will ensure we fully consider risk implications, both on the individual loan, and the cumulative exposure to risk.
- E13 We will ensure that full due diligence is undertaken, that security is in place where appropriate, and that loans are actively monitored.
- E14 Any business case will set out the benefits and risks of the investment and will require approval in line with our constitution and approved policies.
- E15 To monitor the exposure risks associated with service-based investments, we will report the following information:
- Total service investments made
  - Ratio of Cost to Returns (Cost of borrowing against returns generated)

### **Commercial Property Investments**

- E16 We hold a small portfolio of local commercial property, purely for the intention of generating a profit to support local services. These assets are historical asset holdings, and have no debt associated with them.
- E17 These properties are defined as investment properties, and per international accounting standard 40, and had a value as at the 31 March 2025 of £4.90m, generating around £387k per annum in rental income, which supports the delivery of local services.
- E18 While we have no plans to invest in further property, purely for financial return, we monitor our existing commercial property investments.
- E19 We consider property investment to be secure, if its accounting value is the same as, or higher than its purchase price including taxes and transaction costs.
- E20 We review our investment property valuations each year to monitor the risk of fluctuations in value.
- E21 We also monitor the net rental income generated by our property investments to identify trends, as reductions in market rent could point to a fall in property value.
- E22 We will not undertake any future investment in property purely for financial return. Any investments of this type would require budget approval from Full Council and would prevent the council from undertaking borrowing from the public works loan board, so would be unlikely to be recommended.

### **Service Based Property Investments**

- E23 In addition to the property we hold purely for commercial returns, we also hold a large portfolio of assets for service reasons, and these assets also generate returns for the Council. Such

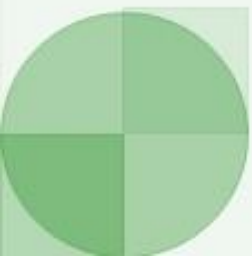
assets include town centre and neighbourhood centre retail units, car parks, community assets and business centres.

E24 These properties had a (gross book) value as at 31 March 2025 of £99.468m, generating around £8.433m per annum in rental income, and had £37.00m of debt associated with them.

E25 Whilst the primary purpose of holding these assets is not financial return, they do face similar risks to those assets held purely for financial return.

E26 For this reason, we make use of three ratios to help us monitor risks for the community and commercial asset portfolio. These indicators are:

- Loan to value (Capital Financing Requirement related to these assets, compared to the value of the assets)
- Principal cover (Minimum Revenue Provision Charge in relation to these assets, compared to the net income stream generated from these assets)
- Interest Cover (Income derived from these assets divided by the interest cost associated with these assets)



## Annex F – Treasury Management Strategy

- F1.1 This strategy supports our Medium-Term Financial Strategy (MTFS) and is reviewed annually. It ensures we appropriately manage and protect our cash balances and carefully manage our borrowing to support our activities.
- F1.2 Treasury Management is the management of our cash flows, borrowing and investments and associated risks. This activity involves substantial sums of money and therefore exposes us to financial risks such as loss of funds and impacts from changing interest rates.
- F1.3 The successful identification, monitoring and control of these risks are therefore central to prudent financial management.
- F1.4 Our treasury risk management is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code), which requires the approval of a treasury management strategy before the start of each year.
- F1.5 Our strategy also fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code. It ensures we fully understand and consider the risks and opportunities of commercial and service-based investments.

### **Balance sheet summary and forecast**

- F2.1 To take a view on likely treasury activity in 2026/27 it is necessary to look at the Council's balance sheet to estimate the level of funds available for investment purposes and any borrowing requirements, as shown in the forecast closing balances table below:

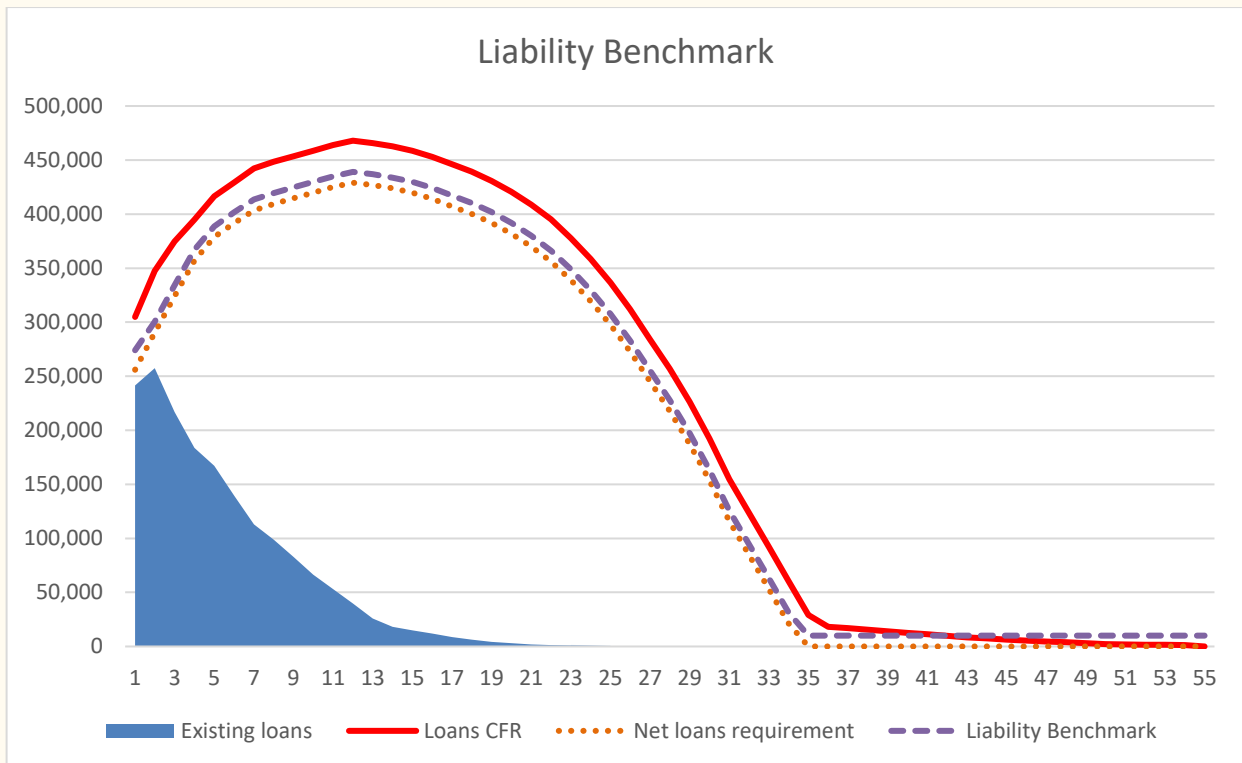
*Table 1: Balance sheet summary and forecast*

	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>	<b>2030/31</b>
	<b>Actual</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
General Fund CFR	53.290	66.221	68.364	69.866	69.202	68.670	67.815
HRA CFR	253.690	283.506	308.573	323.750	342.093	351.300	360.327
<b>Total CFR</b>	<b>306.980</b>	<b>349.727</b>	<b>376.937</b>	<b>393.616</b>	<b>411.295</b>	<b>419.970</b>	<b>428.142</b>
Less: Other debt liabilities	(2.248)	(2.230)	(2.212)	(2.194)	(2.176)	(2.158)	(2.141)
<b>Loans CFR</b>	<b>304.732</b>	<b>347.497</b>	<b>374.725</b>	<b>391.422</b>	<b>409.119</b>	<b>417.812</b>	<b>426.001</b>
Less: Existing borrowing	(241.582)	(257.463)	(216.778)	(183.593)	(167.107)	(139.621)	(113.036)
<b>Internal/(over) borrowing</b>	<b>63.150</b>	<b>90.034</b>	<b>157.947</b>	<b>207.829</b>	<b>242.012</b>	<b>278.191</b>	<b>312.965</b>
Less: Usable reserves	(47.968)	(54.078)	(47.637)	(34.873)	(34.683)	(34.555)	(35.912)
Less: Working capital	(32.964)	(3.000)	(3.000)	(3.000)	(3.000)	(3.000)	(3.000)
New Borrowing (Cumulative)	0.000	(42.956)	(117.310)	(179.956)	(214.329)	(250.636)	(284.053)
<b>Investments</b>	<b>17.782</b>	<b>10.000</b>	<b>10.000</b>	<b>10.000</b>	<b>10.000</b>	<b>10.000</b>	<b>10.000</b>

- F2.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying sums available for investment. The Council's has an increasing CFR due to the capital programme, but minimal investments and will therefore be required to borrow up to £284.0m over the forecast period. This will also cover replacing maturing loans.
- F2.3 CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that an Authority's total debt should be lower than its highest forecast over the next three years, Table 1 shows that the Council expects to comply with this recommendation during 2026/27.
- F2.4 The liability benchmark is effectively the net borrowing requirement of a local authority plus a liquidity allowance and shows the lowest risk level of borrowing. The objective of the liability benchmark is to show the optimum level of borrowing in order to ensure appropriate funding and liquidity for both longer term projects and short term cashflow needs. This assumes the same forecasts as in Table 1 above, but that cash and investment balances are kept to a minimum level of £10m at each year end to maintain sufficient liquidity but minimise credit risk. Table 2 shows the figures and they are also produced in graphical format below.

Table 2: Prudential Indicator – Liability benchmark

	31.3.25 Actual £m	31.3.26 Estimate £m	31.3.27 Estimate £m	31.3.28 Estimate £m	31.3.29 Estimate £m
Loans CFR	304.732	347.497	374.725	391.422	409.119
Less: Balance Sheet Resources	(48.613)	(57.078)	(50.637)	(37.873)	(37.683)
<b>Net Loans requirement</b>	<b>256.119</b>	<b>290.419</b>	<b>324.088</b>	<b>353.549</b>	<b>371.436</b>
Plus: liquidity allowance	17.782	10.000	10.000	10.000	10.000
<b>Liability Benchmark</b>	<b>273.901</b>	<b>300.419</b>	<b>334.088</b>	<b>363.549</b>	<b>381.436</b>



### Interest rate forecasts

- F3.1 Another factor to consider when setting a treasury management strategy is the forecast for interest rates. The rates assumed are set out in our MTFS (section 2.1), which are provided by our treasury management advisors, Arlingclose Ltd.

### Borrowing Strategy

- F4.1 **Objectives:** The Council’s primary objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council’s long-term plans change is a secondary objective.
- F4.2 **Strategy:** Whether external borrowing is taken out depends on the level of cash balances held by the Council, and forecasts relating to this are set out in section F2.1.
- F4.3 We manage and monitor our cash position to ensure sufficient funds are available to meet all requirements, taking advice from the Council’s treasury advisors Arlingclose Ltd in relation to timing and structure of borrowing. This may be through utilising cash balances held by the Council (internal borrowing) in the short or medium term, where it is cost effective to do so. By using internal resources, the Council is able to reduce net borrowing costs and reduce overall treasury risk.
- F4.4 When required and prudent, the Council will borrow externally from external bodies (such as the Government through the Public Works Loan Board (PWLB) or the money markets). Although all long term borrowing to date is from the PWLB, the Council will consider other sources in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA code.
- F4.5 We may borrow in advance of need to take advantage of low interest rates, if deemed to be in our financial interest. Any borrowing in advance of need will not exceed the capital financing

requirement for the current year plus 2 years. Borrowing for short periods of time to cover unexpected cash flow shortages may also be undertaken if required.

- F4.6 Under advice from the Council's treasury advisors, we may also consider arranging forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved for the future without incurring costs immediately.
- F4.7 **Context:** At 1 April 2026 the Council will hold around £220m of long term HRA loans. The debt portfolio was originally structured to mirror projected cash surpluses arising from the HRA business plan on the introduction of self-financing, with all loans being repaid by 2028.
- F4.8 The Government's four-year rent reduction policy impacted on our ability to repay loans as quickly as it originally intended. This meant that in the medium term of the 30 Year HRA Business Plan, additional borrowing will be needed to extend the duration of the repayment period. The Government's rent policy announcement on 28 January 2026, sees rent convergence being introduced from April 2027.
- F4.9 The latest HRA Business Plan forecasts that borrowing will be repaid within 33 years, so just outside of the 30 Year plan, but the recent announcement will bring this back into the 30 year window and will be reflected in the 2027/28 business plan.
- F4.10 Our budget shows there is further borrowing requirement of £67.82m in 2026/27, to support the Affordable Housing Programme, major repair works and refinancing of existing debt. We continue to generate receipts from right to buy sales.
- F4.11 At 1 April 2026 General Fund borrowing, which relates to the acquisition and refurbishment of properties in recent years to support the economic development and regeneration of town and neighbourhood centres in the Borough, will amount to £37.9m.
- F4.12 **Sources of borrowing:** Our approved sources of long-term and short-term borrowing will be:
- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
  - Any institution approved for investments (see section 7)
  - Any other bank or building society authorised to operate in the UK
  - Any other UK public sector body
  - UK public and private sector pension funds (except Hertfordshire Pension Fund)
  - Capital market bond investors
  - Retail investors via a regulated peer-to-peer platform
  - National Wealth Fund Ltd (formerly UK Infrastructure Bank Ltd)
- F4.13 **Other sources of debt finance:** In addition, we may finance our capital expenditure through other methods that are not directly borrowing cash, but would be classed as debt liabilities:
- Leasing
  - Hire purchase
  - Private Finance Initiative
  - Sale and leaseback
- F4.14 **Debt rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates.
- F4.15 We may take advantage of this and replace some of our loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in our risk exposure. The recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.

F4.16 **Governance and Reporting:** We maintain a number of indicators to monitor and limit our risk exposure in relation to our debt, some of which are required by legislation.

F4.17 **Maturity structure of borrowing:** This indicator is set to control the Council's exposure to refinancing risk. Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

*Table 3: Maturity Structure of borrowing*

Period	Upper Limit	Lower Limit
Under 12 months	30%	0%
12 months and within 24 months	30%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	80%	0%
10 years and within 20 years	100%	0%
20 years and above	100%	0%

F4.18 **Authorised Borrowing Limit:** The authorised limit is what we determine to be our maximum affordable borrowing in any one year. It is not the amount the Council expects to borrow to meet its capital expenditure requirements but provides headroom over and above our capital requirements to allow for unusual cash movements, or to take advantage of low interest rates and to borrow in advance of need.

*Table 4: Authorised Borrowing Limit*

Authorised Borrowing Limit	2026/27	2027/28	2028/29
	£m	£m	£m
External Borrowing	404.725	421.422	439.119
Other Long-term Liabilities	2.212	2.194	2.176
<b>TOTAL</b>	<b>406.937</b>	<b>423.616</b>	<b>441.295</b>

F4.19 **Operational Boundary:** The operational boundary is based on the Council's estimate of most likely scenario for external debt. It links directly to the Council's estimates of capital expenditure, the capital financing requirement, and is a key management tool for in-year monitoring. The operational boundary below is set based upon our expected year end position and may be exceeded during the year based on upon cashflow requirements, and the timing of borrowing repayments.

*Table 5: Operational Boundary*

Operational Boundary	2026/27	2027/28	2028/29
	£m	£m	£m
External Borrowing	374.725	391.422	409.119
Other Long-term Liabilities	2.212	2.194	2.176
<b>TOTAL</b>	<b>376.937</b>	<b>393.616</b>	<b>411.295</b>

## Treasury Investment Strategy

- F5.1 The Council holds significant invested funds, representing the income we have received in advance of our expenditure, plus the balances and reserves we hold. It is expected that our treasury investment balances will range between £10m and £50m in the 2026/27 financial year.
- F5.2 Our non-treasury investments, such as investment in property, are covered separately by our investment strategy (Annex E of our MTFS).
- F5.3 **Objective:** To ensure funds are invested prudently, giving regard to the security and liquidity of investments, before seeking the highest rate of return, or yield. We will aim to strike a balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- F5.4 **Strategy:** As demonstrated by the liability benchmark above, the Council expects to be a long-term borrower and new treasury investments will be made primarily to manage day-to-day cash flows, using short term, low risk investments. The existing investment in the CCLA property fund will be maintained, however, to diversify risk into different sectors.
- F5.5 The CIPFA Code does not permit local authorities to both borrow and invest long term for cash flow management. The Council may, though, make long term investments for treasury risk management purposes, including to manage interest rate risk by investing sums borrowed in advance for the capital programme for up to three years; to manage inflation by investing usable reserves in instruments whose value rises with inflation; and to manage price risk by adding diversification to the strategic pooled fund portfolio.
- F5.6 **ESG policy:** Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.
- F5.7 **Business Models:** Under the IFRS 9 standard, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its treasury investments by a business model of collecting the contractual cashflows and therefore, where other criteria as also met, these investments will continue to be accounted for at amortised cost.

### **Managing Treasury Investment Risks**

- F6.1 We maintain a list of counterparties that we can invest with (section F7) and actively monitor the risk of investing with these counterparties.
- F6.2 **Risk assessment and use of credit ratings:** Credit ratings are obtained and monitored by our treasury advisors, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
- No new investments will be made;
  - any existing investments that can be recalled or sold at no cost will be; and
  - full consideration will be given to recall or sale of all other existing investments with the affected counterparty.

- F6.3 Where a credit rating agency announces that a rating is on review for possible downgrade (also known as “rating watch negative” or “credit watch negative”), and that indicates that a rating is likely to fall below the approved rating criteria, we will only invest in these institutions if the investment can be withdrawn on the next working day. This policy will not apply to negative outlooks, which indicate a long term direction of travel rather than an imminent change of rating.
- F6.4 **Other information on the security of investments:** We understand that credit ratings are good predictors of investment default, but not perfect.
- F6.5 Full regard will be given to other available information on the credit quality of the organisations in which we invest, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from our treasury management advisor.
- F6.6 No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet other criteria such as minimum credit rating.
- F6.7 When deteriorating financial market conditions affect the creditworthiness of all organisations, as in 2008, 2020 and 2022, this is not generally reflected in credit ratings but can be seen in other market measures.
- F6.8 In these circumstances, we will restrict our investments to those organisations of higher credit quality and reduce the maximum duration of our investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions.
- F6.9 If these restrictions mean that insufficient commercial organisations of “high credit quality” are available to invest our cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office, invested in government treasury bills, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.
- F6.10 **Liquidity management:** We use cash flow analysis to determine the maximum period for which funds may prudently be committed. Our forecasts are compiled on a prudent basis to minimise the risk of being forced to borrow on unfavourable terms to meet our financial commitments. Limits on long term investments are set with reference to the Council’s medium-term financial strategy and cash flow forecast.
- F6.11 **Interest rate risk:** We manage our exposure to fluctuations in interest rates with a view to containing interest costs and/or securing interest revenues, to meet budget expectations. This is achieved through the prudent use of approved instruments, methods and techniques, primarily to create stability, and certainty of costs and revenues, whilst retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. Advice is taken from our treasury advisors in this respect.
- F6.12 **Governance and Reporting:** We maintain key indicators to monitor and limit our risk exposure in relation to our investments:
- F6.13 **Long term treasury management investments:** The purpose of this indicator is to balance our liquidity needs and control our exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long term treasury management investments will be:

*Table 6: Longer term investments*

	2026/27	2027/28	2028/29	No fixed date
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	£m	£m	£m	£m
Sums invested beyond one year	5.000	5.000	5.000	5.000

Long term investments with no fixed maturity date include strategic pooled funds but exclude money market funds and bank accounts with no fixed maturity date as these are considered short term.

- F6.14 The only long term investment the council holds at present is in the CCLA Property Fund. This investment was first purchased in 2015 and the nature of the investment is such that the market value varies with movements in the property market. Currently local government accounting rules ensure that the gains and losses from changes in market value do not affect the council's revenue account. This is due to change on 1<sup>st</sup> April 2029.
- F6.15 Currently the market value of the council's investment is £3.613m, which is £0.387m less than the original purchase price. In light of the planned change to the accounting rules, the council will seek to divest from the fund if and when the market value of the investment gets back to the original purchase price of £4m to avoid any loss being charged to revenue.

## **Approved investment counterparties**

F7.1 We may invest our surplus funds with any of the counterparties in the following table, subject to the cash limits (per counterparty) and time limits shown. The table must be read in conjunction with the remainder of this section.

*Table 7: Approved investment counterparties*

<b>Sector</b>	<b>Time limit**</b>	<b>Counterparty limit</b>	<b>Sector limit</b>
The UK Government	3 years	Unlimited	n/a
Local authorities & other government entities	3 years	£3m	£20m
Secured investments *	3 years	£4m	£20m
Banks (unsecured) *	7 months	£3m	£15m
Building societies (unsecured) *	7 months	£3m	£15m
Registered providers (unsecured) *	3 years	£3m	£6m
Money market funds *	n/a	£4m	£32m
Strategic pooled funds	n/a	£4m	£8m

\* **Minimum credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A- Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

\*\* **Time Limit:** These start on the earlier of the date that the council is committed to make the investment and the date the cash is transferred to the counterparty.

F7.2 **UK Government:** This class includes loans to, and bonds and bills issued or guaranteed by the UK Government. Investments with the UK Central Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts. The maximum duration is set at 3 years to make clear that the Council does not borrow to invest primarily for financial return.

F7.3 **Local Authorities and Other Government Entities:** This category includes loans to, and bonds and bills issued or guaranteed by regional and local authorities, multilateral development banks and other Government entities. These investments are not subject to bail-in and there is generally a lower risk of insolvency, although they are not zero risk. The maximum duration is set at 3 years as it is for the UK Government.

The counterparty limit for loans to local authorities will be increased until the end of the investment if required, due to changes arising from local government reorganisation.

F7.4 **Secured Investments:** These investments are secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds, secured deposits, reverse repurchase agreements with banks or building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be

used. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments. The maximum duration is set at 3 years as it is for the UK Government and local authorities.

- F7.5 **Banks and Building Societies (Unsecured):** These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. This class includes accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks.
- F7.6 **Registered Providers (Unsecured):** These bodies are regulated by the Regulator of Social Housing and, as providers of public services, they retain the likelihood of receiving government support if needed. This class includes loans to, and bonds issued or guaranteed by registered providers of social housing and registered social landlords, formerly known as Housing Associations.
- F7.7 **Money Market Funds:** These are pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee., The Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.
- F7.8 **Strategic Pooled Funds:** These allow diversification into asset classes other than cash without the need to own and manage the underlying investments. As these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting our investment objectives will be monitored regularly. This class includes bond, equity and property funds, including exchange traded funds, that offer enhanced returns over the longer term but are more volatile in the short term.
- F7.9 **HSBC Group:** Unexpected receipts to the council's operational bank account may take the overnight balance above the HSBC end of day projected balance, which is used make daily treasury decisions. These operational balances will not count towards the investment limit, on the basis that they cannot always be controlled and unexpected payments are often received.
- F7.10 **Investment Limits:** The maximum that will be lent to any one organisation (other than the UK government) will be £4m in order that no sum in excess of available reserves is put at risk in the case of a single default. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on investments in brokers' nominee accounts and industry sectors as below.

*Table 8: Investment Limits*

	Cash limit
Any single organisation, except the UK Central Government	£4m each
Any group of organisations under the same ownership	£4m per group
Any group of pooled funds under the same management	£4m per manager
Investments held in a broker's nominee account	£10m per broker

### **Policy on Use of Financial Derivatives**

- F8.1 The CIPFA Code requires us to clearly state our policy on the use of derivatives. We do not plan to use derivatives currently.

- F8.2 If required, we will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that we are exposed to. Any additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk.
- F8.3 Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall strategy.
- F8.4 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. The current value of any amount due from a derivative counterparty will count against the counterparty credit limits.
- F8.5 We will seek and consider external advice before entering into financial derivatives to ensure that we fully understand any implications.

### **Markets in Financial Instruments Directive**

- F9.1 We have opted up to professional client status with our providers of financial services, including advisors, banks, brokers and fund managers. This allows us access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies.
- F9.2 Given the size and range of the Council's treasury management activities the Council's s151 Officer believes this to be the most appropriate status. This status requires the Council to maintain a minimum of £10m in investments.

### **Policy on apportioning interest to the Housing Revenue Account**

- F10.1 All long-term loans in the Council's portfolio are assigned in their entirety to either the General Fund or the HRA pool at the time the loan is agreed. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/credited to the respective revenue account.
- F10.2 Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured each month and interest transferred between the General Fund and HRA. The interest rate to be applied will be the DMADF rate for the weighted average maturity period of the investment portfolio, determined on a weekly basis.

### **Treasury Management Practices**

- F11.1 The CIPFA Code requires the Council to maintain a set of Treasury Management Practice documents setting out how we will implement the treasury management strategy. They include a detailed set of schedules covering operational matters. The Section 151 officer has reviewed the documents and no changes were required.

## **Annex G – Summary of Performance and Risk Indicators**

G1.1 This strategy supports our Medium-Term Financial Strategy (MTFS) and is reviewed annually. It provides a summary of all of our key indicators used to monitor performance and manage risk.

### **Reserves and Balances**

We will maintain minimum working balances as follows:

	<b>2026/27 Minimum £'m</b>	<b>2027/28 Minimum £'m</b>	<b>2028/29 Minimum £'m</b>
General Fund	2.900	2.900	2.900
Housing Revenue Account	3.254	3.389	3.496

### **Capital Expenditure and Financing**

Based on our capital schemes, we expect our capital expenditure to be as follows:

	<b>2026/27 £'m</b>	<b>2027/28 £'m</b>	<b>2028/29 £'m</b>	<b>2029/30 £'m</b>	<b>2030/31 £'m</b>
General Fund (GRF)	7.269	4.439	2.393	2.578	2.393
Housing Revenue Account (HRA)	61.216	57.735	47.635	38.415	37.179
<b>TOTAL</b>	<b>68.485</b>	<b>62.174</b>	<b>50.028</b>	<b>40.993</b>	<b>39.572</b>

Based on this expenditure we expect our financing to be as follows:

<b>General Fund</b>	<b>2026/27 £'m</b>	<b>2027/28 £'m</b>	<b>2028/29 £'m</b>	<b>2029/30 £'m</b>	<b>2030/31 £'m</b>
Grants and Contributions	1.592	0.592	0.592	0.592	0.592
Reserves and Revenue Contributions	2.105	0.814	0.814	0.814	0.863
Borrowing	3.572	3.033	0.987	1.172	0.938
<b>TOTAL</b>	<b>7.269</b>	<b>4.439</b>	<b>2.393</b>	<b>2.578</b>	<b>2.393</b>

<b>Housing Revenue Account</b>	<b>2026/27 £'m</b>	<b>2027/28 £'m</b>	<b>2028/29 £'m</b>	<b>2029/30 £'m</b>	<b>2030/31 £'m</b>
RTB Receipts	8.296	14.085	2.744	3.278	1.888
Grants and contributions	2.555	2.250	0.000	0.000	0.000
Reserves and Revenue Contributions	25.298	28.473	26.548	25.930	26.264
Borrowing	25.067	12.927	18.343	9.207	9.027
<b>TOTAL</b>	<b>61.216</b>	<b>57.735</b>	<b>47.635</b>	<b>38.415</b>	<b>37.179</b>

Based on the above expenditure and financing, we expect our capital financing requirement (CFR) to be:

	2026/27 £'m	2027/28 £'m	2028/29 £'m	2029/30 £'m	2030/31 £'m
General Fund	68.364	69.866	69.202	68.670	67.815
Housing Revenue Account	308.573	323.750	342.093	351.300	360.327
<b>TOTAL CFR</b>	<b>376.937</b>	<b>393.615</b>	<b>411.295</b>	<b>419.970</b>	<b>428.142</b>

Based on these capital plans, and the longer-term 30-year Housing business plan, we expect our HRA debt to be repaid in 33 years.

We have set the following maturity structure limits for borrowing:

Maturity Structure of Borrowing	Upper Limit	Lower Limit
Under 12 months	30%	0%
12 months and within 24 months	30%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	80%	0%
10 years and within 20 years	100%	0%
20 years and above	100%	0%

We have set the following authorised limits (maximum) for borrowing:

Authorised Borrowing Limit	2026/27 £m	2027/28 £m	2028/29 £m
External Borrowing	404.725	424.862	446.474
Other Long-term Liabilities	2.212	2.194	2.176
<b>TOTAL</b>	<b>406.937</b>	<b>427.056</b>	<b>448.650</b>

We have set the following operational boundaries (expected levels) for borrowing:

Operational Boundary	2026/27 £m	2027/28 £m	2028/29 £m
External Borrowing	374.725	394.862	416.474
Other Long-term Liabilities	2.212	2.194	2.176
<b>TOTAL</b>	<b>376.937</b>	<b>397.056</b>	<b>418.650</b>

### Investments (Cash/Treasury)

We have set the following limits for long term investments:

	2026/27 £m	2027/28 £m	2028/29 £m	No fixed date £m
Sums invested beyond one year	5.000	5.000	5.000	5.000

We have set the following counterparty limits:

Sector	Time limit **	Counterparty limit	Sector limit
The UK Government	3 years	Unlimited	n/a
Local authorities & other government entities	3 years	£3m	£20m
Secured investments *	3 years	£4m	£20m
Banks (unsecured) *	7 months	£3m	£15m
Building societies (unsecured) *	7 months	£3m	£15m
Registered providers (unsecured) *	3 years	£3m	£6m
Money market funds *	n/a	£4m	£32m
Strategic pooled funds	n/a	£4m	£8m

\* **Minimum credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

\*\* **Time Limit:** These start on the earlier of the date that the council is committed to make the investment and the date the cash is transferred to the counterparty.

The counterparty limit for loans to local authorities will be increased until the end of the investment if required, due to changes arising from local government reorganisation.

### Investment Limits

The maximum that will be lent to any one organisation (other than the UK Government) will be £4m in order that no sum in excess of available reserves is put at risk in the case of a single default. The limits are below:

	Cash limit
Any single organisation, except the UK Central Government	£4m each
Any group of organisations under the same ownership	£4m per group
Any group of pooled funds under the same management	£4m per manager
Investments held in a broker's nominee account	£10m per broker

### Investments (Non-Treasury)

We monitor a suite of indicators to monitor performance and risk of service based and commercial investments:

	<b>2024/25 Actual £'m</b>	<b>2025/26 Estimate £'m</b>	<b>2026/27 Estimate £m</b>
<b>Income Generating Assets held for service purposes</b>			
Ratio: Loan to value (CFR to asset base)	£1 : £2.72	£1 : £1.87	£1 : £1.85
Ratio: Principal cover (MRP to income stream)	£1 : £11.36	£1 : £10.48	£1 : £8.67
Ratio: Interest cover (interest cost to income)	£1 : £11.44	£1 : £7.83	£1 : £4.93
<b>Non-Income Generating Assets held for service purposes</b>			
Cost of borrowing in relation to council tax	£7.25	£5.80	£6.33
<b>Commercial Assets</b>			
Ratio: Loan to value (CFR to asset base)	N/A *	N/A *	N/A *
Ratio: Principal cover (MRP to income stream)	N/A *	N/A *	N/A *
Ratio: Interest cover (interest cost to income)	N/A *	N/A *	N/A *

\* As there is currently no debt associated with these assets, these indicators have not been calculated. These assets had a value of £4.90m as at 31 March 2025, generating around £387k per annum in rental income.