

# London Borough of Haringey

## Treasury Management Strategy Statement 2026/27

### 1. Introduction

- 1.1. Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risks are therefore central to the Council's prudent financial management.
- 1.2. Treasury risk management at the Council 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 Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.

### 2. External Context – provided by the Council's appointed treasury advisor, Arlingclose

#### **Economic background**

- 2.1. The impact on the UK from the government's Autumn Budget is likely to be one of the major influences on the Authority's treasury management strategy for 2026/27. Other influences will include lower short-term interest rates alongside higher medium- and longer-term rates, modest economic growth, together with ongoing uncertainties around the global economy, stock market sentiment, and ongoing geopolitical issues.
- 2.2. The Bank of England's Monetary Policy Committee (MPC) cut Bank Rate to 3.75% in December 2025, as expected. The vote to cut was 5-4, with the minority instead favouring holding rates at 4.0%. Those members wanting a cut judged that disinflation was established while those preferring to hold Bank Rate argued that inflation risks remained sufficiently material to leave rates untouched at this stage.
- 2.3. Figures from the Office for National Statistics showed that the UK economy expanded by 0.1% in the third quarter of the calendar year, this was unrevised from the initial estimate. The most recent Monetary Policy Report (November) projected modest economic growth, with GDP expected to rise by 0.2% in the final calendar quarter of 2025. Annual growth is forecast to ease from 1.4% before improving again later, reflecting the delayed effects of lower interest rates, looser monetary conditions, stronger global activity, and higher consumer spending. The view of modest economic growth going forward was echoed by the Office for Budget Responsibility in its Economic and fiscal outlook published in line with the Autumn Statement which revised down its estimate of annual real GDP to around 1.5% on average between 2025 and 2030.
- 2.4. CPI inflation was 3.2% in November 2025, down from 3.6% in the previous month and below the 3.5% expected. Core CPI eased to 3.2% from 3.4%, contrary to forecasts of remaining at 3.6%. Looking forward, the MPC continues to expect inflation to fall to around 3% in calendar Q1 2026, before steadily returning to the 2% target by late 2026 or early 2027.
- 2.5. The labour market continues to ease with rising unemployment, falling vacancies and flat inactivity. In the three months to October 2025, the unemployment rate increased to 5.1%, higher than the level previously expected by the BoE, while the employment rate slipped to 74.9%. Pay growth for the same period eased modestly, with total earnings (including bonuses) growth at 4.7% and while regular pay was 4.6%.

- 2.6. The US Federal Reserve also continued to cut rates, including reducing the target range for the Federal Funds Rate by 0.25% at its December 2025 meeting, to 3.50%-3.75%, in line with expectations. The minutes of the meeting noted that most Fed policymakers judged that further rate cuts would be likely in 2026 if inflation continues to ease, however they were still divided in their assessment of the risks between inflation and unemployment.
- 2.7. The European Central Bank (ECB) kept its key interest rates unchanged in December for a fourth consecutive meeting, maintaining the deposit rate at 2.0% and the main refinancing rate at 2.15%. The ECB maintained that future policy decisions will remain data-dependent, that inflation is close to its 2% target and that the euro area economy continues to expand despite a challenging global environment, including heightened geopolitical risks and trade tensions

### **Credit outlook**

- 2.8. Credit outlook: Credit Default Swap (CDS) prices, which spiked in April 2025 following President Trump's 'Liberation Day' tariff announcements, have since trended lower, returning to levels broadly consistent with their 2024 averages. Although CDS prices rose modestly during October and November, the overall credit outlook remains stable, and credit conditions are expected to remain close to the range seen over the past two years.
- 2.9. While lower interest rates may weigh on banks' profitability, strong capital positions, easing inflation, steady economic growth, low unemployment, and reduced borrowing costs for households and businesses all support a favourable outlook for the creditworthiness of institutions on (the authority's treasury management advisor) Arlingclose's counterparty list. Arlingclose's advice on approved counterparties and recommended investment durations is kept under continuous review and will continue to reflect prevailing economic and credit conditions.

### **Interest rate forecast (18th December 2025)**

- 2.10. Arlingclose, the Authority's treasury management adviser, currently forecasts that the Bank of England's Monetary Policy Committee will continue to reduce Bank Rate in 2026, reaching around 3.25%. This forecast reflects amendments made following The Autumn Budget and an assessment of the fiscal measures and their market implications, and following the BoE MPC meeting held on 18th December.
- 2.11. Long-term gilt yields, and therefore interest rates payable on long-term borrowing, are expected to remain broadly stable on average, though with continued volatility, and to end the forecast period marginally lower than current levels. Yields are likely to stay higher than in the pre-quantitative tightening era, reflecting ongoing balance sheet reduction and elevated bond issuance. Short-term fluctuations are expected to persist in response to economic data releases and geopolitical developments.
- 2.12. A more detailed economic and interest rate forecast provided by Arlingclose is included in this document as Annex A.
- 2.13. For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate of 3.5%, and that new long-term loans will be borrowed at an average rate of 5%.

### 3. Local Context

#### Capital Expenditure and Financing

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The Council's capital plans and Exceptional Financial Support are the main factors driving its borrowing requirements. These plans are set out in the Council's Capital Strategy for 2026–2036 and the Capital Programme 2026-2031, which forms part of the main budget report and has been taken into account in preparing this report. Table 1 below summarises the Council's planned capital expenditure, including both previously approved schemes and those proposed for approval as part of the 2026/27 Budget and Medium-Term Financial Strategy (MTFS).

**Table 1: Capital Expenditure**

	31.3.25	31.3.26	31.3.27	31.3.28	31.3.29	31.3.30	31.3.31
	Actual	Estimate	Forecast	Forecast	Forecast	Forecast	Forecast
	£m						
General Fund Account (GF)	80	143	202	139	63	46	8
Housing Revenue Account (HRA)	160	282	389	534	405	344	280
Exceptional Financial Support (EFS)	10	54	100	100	100	100	100
<b>Total</b>	<b>250</b>	<b>479</b>	<b>691</b>	<b>774</b>	<b>567</b>	<b>490</b>	<b>388</b>

- 3.1 Regulatory and professional guidance requires that elected members understand the scale and nature of any commercial activity in the context of the Council's overall financial position. The capital expenditure figures in Table 1 confirms that no such commercial activity is included in the future programme.
- 3.2 The programme excludes other long-term liabilities—such as Private Finance Initiative (PFI) commitments and leasing arrangements—which already incorporate borrowing instruments.
- 3.3 Subject to approval by the MHCLG, the Exceptional Financial Support (EFS) arrangements (see Sections 3.19–3.24) will permit certain revenue expenditure items (day to day running costs) to be treated as capital and funded by Capital Receipts and borrowing.
- 3.4 Table 2 sets out the proposed funding for the capital programme covering 2026/27 to 2030/31. Any shortfall in available resources will create a borrowing requirement.

**Table 2: Capital Financing**

	31.3.25	31.3.26	31.3.27	31.3.28	31.3.29	31.3.30	31.3.31
	Actual	Estimate	Forecast	Forecast	Forecast	Forecast	Forecast
	£m	£m	£m	£m	£m	£m	£m
<b>General Fund</b>							
Borrowing	46.0	109	131	44	25	18	8
Borrowing - EFS	10.0	54	100	100	100	100	100
Borrowing - Self-Funding (see para 8.3)	2.8	0	0	0	0	0	0
Capital Receipts	0.0	0	0	0	0	0	0
Capital Grants from Central Government Departments	13.9	17	20	16	8	7	0
Capital Funding from GLA ,TfL & Other LA's	9.6	5	7	27	27	19	0
Revenue Contribution to Capital Outlay (RCCO)	0.3	0	1	4	1	1	0
Usable Capital Reserves	0.8	2	0	0	0	0	0
Land appropriation	0.0	0	0	2	0	0	0
Community Infrastructure Levy	2.9	6	2	2	2	2	0
Grants & Contribs from Non-departmental Public Bodies	0.0	3	0	4	0	0	0
S106/Developer Contributions	3.5	0	40	40	0	0	0
<b>TOTAL GENERAL FUND (GF) FINANCING</b>	<b>89.9</b>	<b>197</b>	<b>302</b>	<b>239</b>	<b>163</b>	<b>146</b>	<b>108</b>
<b>Housing Revenue Account (HRA)</b>							
Capital Grants	20.9	146	223	75	93	51	42
Major Repairs Reserve	22.6	23	25	26	28	29	30
Revenue contributions	4.4	0	0	3	1	3	4
RTB Capital Receipts	9.8	11	10	8	8	5	5
Leaseholder Contributions to Major Works	8.3	7	7	7	7	8	7
Other Subsidy	0.0	0	7	11	18	22	24
Market Sales Receipts	4.7	0	0	7	7	0	0
Borrowing	89.5	95	117	396	243	225	167
<b>TOTAL HRA FINANCING</b>	<b>160.1</b>	<b>282</b>	<b>389</b>	<b>534</b>	<b>405</b>	<b>344</b>	<b>280</b>
<b>TOTAL CAPITAL FINANCING</b>	<b>250.0</b>	<b>479</b>	<b>691</b>	<b>774</b>	<b>567</b>	<b>490</b>	<b>388</b>

3.5 The Council's Capital Strategy and programme are subject to rigorous scrutiny and challenge to ensure that all capital plans are both affordable and prudent. While Table 1 illustrates the five-year impact of the capital programme, each scheme is assessed in its entirety, recognising that some projects extend beyond a five-year timeframe. The Capital Delivery Framework, included in Section 10 of the Capital

Strategy for 2026–2036, outlines a structured lifecycle for the development and delivery of capital projects and programmes—from initial business case formulation through to implementation and closure. It incorporates HM Treasury's Green Book Five Case Model across a Gateway process and assess project deliverability. The framework also embeds CIPFA principles to ensure that all investment decisions are strategically aligned, financially sustainable, and focused on delivering measurable outcomes.

3.6 On 31 December 2025, the Council held £1,141.9m of borrowing and £73.2m of treasury investments. This is set out further in detail at Annex B. Forecast changes in these sums are shown in the balance sheet analysis in Table 3 below.

**Table 3: Balance Sheet Summary and Forecast (Capital Financing Requirement)**

	31.3.25 Actual £m	31.3.26 Estimate £m	31.3.27 Forecast £m	31.3.28 Forecast £m	31.3.29 Forecast £m	31.3.30 Forecast £m	31.3.31 Forecast £m
General Fund CFR	782	854	951	970	972	966	951
EFS CFR	10	64	166	271	379	489	603
HRA CFR	627	722	839	1,235	1,478	1,703	1,871
<b>Total CFR</b>	<b>1,419</b>	<b>1,640</b>	<b>1,956</b>	<b>2,476</b>	<b>2,829</b>	<b>3,159</b>	<b>3,425</b>
Less: Other debt liabilities*	-59	-34	-16	-12	-9	-7	-5
<b>Loans CFR</b>	<b>1,360</b>	<b>1,605</b>	<b>1,940</b>	<b>2,464</b>	<b>2,820</b>	<b>3,152</b>	<b>3,420</b>
Less: Balance sheet Resources (Internal borrowing)	-394	-387	-387	-390	-393	-396	-396
<b>CFR Funded by External Borrowing</b>	<b>966.5</b>	<b>1,218.0</b>	<b>1,552.5</b>	<b>2,074.0</b>	<b>2,426.3</b>	<b>2,756.0</b>	<b>3,023.7</b>
<b>Breakdown of External Borrowing:</b>							
Existing borrowing**	981.3	1,115	1,033	973	893	833	773
New borrowing to be raised		38	353	830	1,154	1,433	1,647
New Borrowing to be raised for EFS		64	166	271	379	489	603

\* leases and PFI liabilities that form part of the Authority's total debt

\*\* shows only loans to which the Authority is committed and excludes optional refinancing

3.7 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). The Council's current approach is to keep borrowing and investments below their underlying levels—a practice commonly referred to as internal borrowing.

3.8 Under CIPFA's Prudential Code for Capital Finance in Local Authorities, the Council's total debt should remain below its highest forecast CFR over the next three years. As shown in Table 3, the Council expects to remain compliant with this recommendation throughout the Medium-Term Financial Strategy (MTFS) period.

3.9 The Council's capital expenditure outlined in Table 1, shows a total expenditure of £691m, with a borrowing requirement of £348m (Table 2) required to finance the Council's core capital programme plan and EFS in 2026/27. There is a revenue impact of the recommended borrowing strategy referred to as Capital Financing Costs, covering both interest costs and the Minimum Revenue Provision (MRP). The Minimum Revenue Provision (MRP) is when the Council has to make an annual contribution from revenue and is required to ensure that the Council pays down debt in a prudent manner. Annex C sets out the Council's MRP statement for 2026/27. The estimated MRP over the MTFS period is set out in Table 4:

**Table 4: Estimated MRP 2025/26 to 2030/31**

	31.3.26 Estimate £m	31.3.27 Forecast £m	31.3.28 Forecast £m	31.3.29 Forecast £m	31.3.30 Forecast £m	31.3.31 Forecast £m
General Fund MRP	16	17	19	20	20	21
EFS MRP	0.3	2	5	8	11	14
PFI/Leases	21	17	4	4	3	3
<b>Total MRP</b>	<b>37</b>	<b>36</b>	<b>29</b>	<b>31</b>	<b>34</b>	<b>38</b>

3.10 The Council's underlying need to borrow to finance its capital programme is measured by the capital financing requirement (CFR). This increases when new debt financed capital expenditure is incurred and reduces when MRP is made. Table 3 (above) shows the estimated CFR over the MTFS period.

### **Loans to third parties**

3.11 Within the proposed 2026/27 capital programme there is a loan to Alexander Palace & Park Charitable Trust for the refurbishment of the Panorama Room of £3.5m. In addition, there will be a loan to Alexander Palace & Park Charitable Trust for the purchase of a new lighting grid (the Motherlode) for £1.5m. These loans are crucial to maintain the attractiveness of the Trust as an events venue and their financial sustainability.

3.12 Should the Council wish to make loans to other third parties it would only do so if the business case is approved. Such loans will only be considered when all of the criteria are satisfied:

3.13 The loan is towards expenditure which would, if incurred by the Council, be capital expenditure;

- The purposes for which the loan is given is consistent with the Council's priorities in the Corporate Delivery Plan;
- Due diligence is carried out that confirms the Council can legally make the loan and there is a clear assessment of the risk of loss over the loan term;
- A formal loan agreement is put in place which stipulates the loan amount, period, repayment terms and loan rate - this will be set at a level that seeks to mitigate any perceived risks of loan loss and takes appropriate account of any regulatory requirements relating subsidy.

### **Reporting Requirements**

3.13 In line with CIPFA's current *Treasury Management Code* and *Prudential Code* (20 December 2021), the Council receives and approves the following reports, which incorporate a range of strategies, policies, and both estimated and actual figures:

- **Quarterly Treasury Management Update Reports** – including the Mid-Year Update, which provides progress updates on the capital position, revises Prudential Indicators where necessary, and advises whether any policy changes are required.
- **Annual Treasury Management Report** – a retrospective review detailing actual prudential, capital, and treasury management indicators, and comparing actual treasury operations against original estimates.
- **Treasury Management Strategy** – setting out prudential capital and treasury management indicators alongside the Council's treasury strategy (this report).

3.14 The Council adheres to these Codes of Practice and reporting requirements when it prepares the Treasury Management Strategy Statement and related reports during the financial year, reporting to Audit Committee, Overview and Scrutiny Committee, Cabinet and Full Council as required during the reporting cycle.

## Training

3.15 The Treasury Management Code requires that a designated Council officer (the "responsible officer") ensures members with treasury management responsibilities receive appropriate and sufficient training. This requirement is particularly important for members involved in scrutiny. In addition, the Code stipulates that all organisations must maintain a formal and comprehensive knowledge and skills framework or training policy. This policy should support the effective acquisition and retention of treasury management expertise for all individuals involved in management, delivery, governance, and decision-making.

3.16 Training is provided to all Members involved in monitoring treasury management performance. Members of the Overview and Scrutiny Committee and the Audit Committee receive dedicated Treasury Management training to support their annual review, scrutiny, and approval of the Treasury Management Strategy Statement as part of the budget planning process. The Council will regularly assess whether both treasury management staff and Members possess the necessary knowledge and skills to fulfil their roles and will ensure these competencies are maintained and kept up to date.

## Treasury management advisors

3.17 The Council recognises the benefits of engaging external providers of treasury management services to access specialist expertise and resources. Haringey currently retains the services of **Arlingclose Ltd**, which provides comprehensive advice and support across a wide range of areas, including

- Strategy development and implementation
- Regulatory compliance and reporting
- Investment guidance and counterparty credit assessments
- Economic outlook and financial market analysis
- Interest rate forecasting
- Debt management and funding options
- Training for Members and officers
- Technical accounting support

3.18 Treasury management decisions remain the responsibility of the Council and are informed, though not solely determined, by the latest advice from external advisors. The Council will continue to ensure that it does not place undue reliance on the services of its treasury advisors, maintaining independent judgment and accountability in all decision-making.

## **Exceptional Financial Support**

3.19 The Council's financial position is challenging. Efforts to reduce costs, deliver existing savings over the MTFS period and identify additional savings continues however as part of budget planning, and in line with the latest update on the Medium Term Financial Position presented to Cabinet in November, an application to the Ministry for Housing, Communities and Local Government for Exceptional Financial Support (EFS) for 2026/27 will be required to ensure that in line with statutory duties, a legally balanced budget can be set.

3.20 If approved for 2026/27, this will enable the Council—through Government agreement—to capitalise a portion of its day-to-day running costs. In practice, this means the Council has permission to either borrow or use capital receipts from asset sales to fund revenue expenditure.

3.21 Borrowing these amounts may be required if it represents better value than applying capital receipts. The associated borrowing costs have been incorporated into the Treasury Management budget from 2026/27 onwards.

An update on the 2026/27 Provisional Local Government Finance Settlement will be presented to Overview and Scrutiny Committee on 19 January 2026 and will be incorporated into the draft 2026/27 budget that is presented to Cabinet on 10 February 2026. For planning purposes, this draft TMSS has been prepared on the basis that up to £100m of EFS may be required and through a capitalisation directive, that allows borrowing for some day to day services. The outcome of the Council's application will not be known until February 2026 after the final Local Government Finance Settlement 2026/27 is published. The expectation is that any EFS required to balance the budget will be minimised.

3.22 This draft TMSS will be updated to reflect the final EFS requirement with the final TMSS presented to Full Council on 2 March 2026 for approval. Full details will also be set out in the Chief Finance Officer's Section 25 Statement of the 2026/27 Budget and Medium-Term Financial Strategy report to Cabinet on 10 February 2026.

3.23 Support through EFS is not a long term sustainable financial strategy and work will continue through 2026/27 to reduce the amount of EFS in future years.

3.24 Taking into account the proposed capital programme and the EFS requirement, the Council's Capital Financing Requirement (CFR) is projected to increase, while treasury investments remain minimal. Consequently, there is an anticipated new borrowing requirement of up to £2,148m over the forecast period 2026/27 to 2030/31 (see Table 3). Table 5 provides a breakdown of the forecast borrowing position at each financial year-end, covering both the General Fund and the Housing Revenue Account (HRA) capital programmes.

**Table 5: Year-end Borrowing Position Summary**

	31.3.25 Actual £m	31.3.26 Estimate £m	31.3.27 Forecast £m	31.3.28 Forecast £m	31.3.29 Forecast £m	31.3.30 Forecast £m	31.3.31 Forecast £m
General Fund borrowing	459.8	588	623	745	816	862	896
EFS borrowing	10.0	64	166	271	379	489	603
HRA borrowing	511.4	566	763	1,058	1,231	1,404	1,524
<b>Total borrowing</b>	<b>981.3</b>	<b>1,218</b>	<b>1,552</b>	<b>2,074</b>	<b>2,426</b>	<b>2,756</b>	<b>3,024</b>

### Liability Benchmark

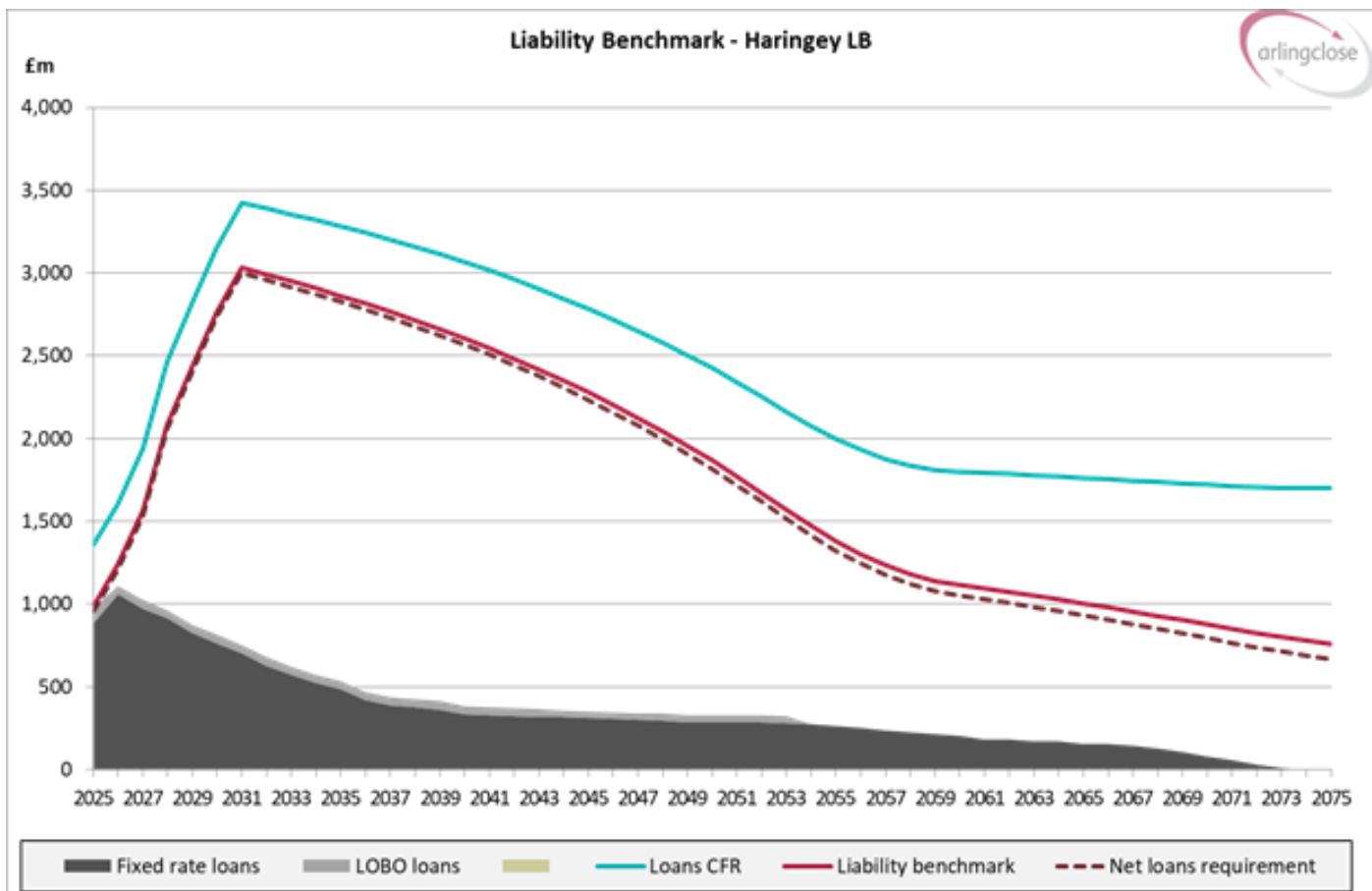
3.25 The liability benchmark has been calculated to compare the Council's actual borrowing position against an alternative low-risk strategy. This benchmark represents the optimal borrowing level that minimises risk. It assumes the same borrowing forecasts as shown in Table 3, but that cash and investment balances are kept to a minimum of £30 million at each year-end. This will drive best practice and to ensure liquidity while reducing credit risk.

3.26 The liability benchmark is a key tool for determining whether the Council is likely to be a long-term borrower or a long-term investor. This insight is critical for shaping the Council's strategic focus and decision-making. The benchmark itself represents an estimate of the cumulative external borrowing required to fund the Council's current capital and revenue plans, while maintaining treasury investments at the minimum level necessary to manage day-to-day cash flow.

**Table 6: Prudential Indicator – Liability Benchmark**

	31.3.25 Actual £m	31.3.26 Estimate £m	31.3.27 Forecast £m	31.3.28 Forecast £m	31.3.29 Forecast £m	31.3.30 Forecast £m	31.3.31 Forecast £m
Loans CFR	1,360.4	1,605	1,940	2,464	2,820	3,152	3,420
Less: Balance Sheet resources	-394	-387	-387	-390	-393	-396	-396
<b>Net loans requirement</b>	<b>966.5</b>	<b>1,218</b>	<b>1,552</b>	<b>2,074</b>	<b>2,426</b>	<b>2,756</b>	<b>3,024</b>
Plus: Liquidity allowance	30.0	30.0	30.0	30.0	30.0	30.0	30.0
<b>Liability Benchmark</b>	<b>996</b>	<b>1,248</b>	<b>1,582</b>	<b>2,104</b>	<b>2,456</b>	<b>2,786</b>	<b>3,054</b>

3.27 The long-term liability benchmark assumes the same capital expenditure funded by borrowing as reflected in the CFR, with Minimum Revenue Provision (MRP) on new capital expenditure has an average 28-year asset life. However, each group of assets is calculated separately and the asset life ranges from 7-50. It also assumes income, expenditure, and reserves increase annually. The chart below illustrates this benchmark alongside the maturity profile of the Council's existing borrowing.



## 4 Borrowing Strategy

- 4.1 As at 31 December 2025, the Council held £1,141.9m in loans as part of its strategy to fund previous years' capital programmes. The balance sheet forecast in Table 3 indicates that the Council expects to increase its borrowing by up to £621m by the end of 2026/27 (1<sup>st</sup> Jan 2026 – 31<sup>st</sup> Mar 2027). In addition, the Council may borrow further sums to pre-fund future borrowing requirements, provided this remains within the authorised borrowing limit set out in the Capital Strategy and would be financially beneficial.
- 4.2 Borrowing can take the form of internal or external borrowing. Internal borrowing is a temporary measure where the Council uses its own cash reserves—held for other purposes—to defer the need for external borrowing. If these cash balances were not used for internal borrowing, they would instead be invested in accordance with the Treasury Management Strategy, generating a return for the Council. When deciding whether to use cash balances rather than external borrowing, there needs to be consideration of the cost of borrowing against the level of lost investment return.

### Objectives

- 4.3 The Council's primary objective when borrowing is to achieve an appropriately low-risk balance between securing low interest costs and ensuring certainty of those costs over the period funds are required. Maintaining flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

### Strategy

- 4.4 The Council's borrowing strategy continues to prioritise affordability without compromising the long-term stability of its debt portfolio. The scale of the capital programme and the need to diversify the debt portfolio to minimise refinancing risk means that some long-term borrowing will be required during

2026/27. Accordingly, the Council's strategy is to meet its borrowing requirement during the financial year through a balanced mix of short-term and long-term borrowing.

- 4.5 The Council aims to maintain a balance between short-term borrowing—offering the potential to refinance at a lower cost if interest rates fall—and long-term fixed-rate debt, which provides certainty and protection should interest rates rise.
- 4.6 In recent years, the Council has sourced all its long-term borrowing from the Public Works Loan Board (PWLB). However, it will continue to explore alternative sources, including banks, pension funds, and other local authorities, and may consider issuing bonds or similar instruments to reduce interest costs and avoid over-reliance on a single funding source, in line with the CIPFA Code.
- 4.7 The Council has faced challenges in securing borrowing from other sources due to being perceived as higher risk compared to other authorities. PWLB loans remain available provided local authorities do not engage in purchasing investment assets primarily for yield. The Council has not undertaken such activity in the past and does not intend to and therefore retain access to PWLB funding.
- 4.8 The Council may arrange 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 without suffering a cost of carry in the intervening period.
- 4.9 In addition, the Council may utilise short-term borrowing to manage unexpected cash flow shortfalls.
- 4.10 The Council's Medium-Term Financial Strategy includes provision for a Capitalisation Direction from Government. If approved, this would allow the Council to either borrow or use capital receipts from asset sales to fund day-to-day expenditure. It is for the Council to determine at year-end which capital resources—such as capital receipts or borrowing—will be allocated for this purpose. It is assumed in the TMSS that borrowing will be at PWLB rates included in Appendix A and MRP will be required using the asset life method with a proxy 'asset life' of 20 years.

### **Sources of Borrowing**

- 4.11 The approved sources of long-term and short-term borrowing are:
  - HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
  - UK Infrastructure Bank Ltd
  - any institution approved for investments (see below)
  - 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 Haringey Pension Fund and the London Collective Investment Vehicle)
  - capital market bond investors
  - retail investors via a regulated peer-to-peer platform
  - UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

### **Other Sources of Debt Finance**

- 4.12 In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:
  - Leasing
  - Hire Purchase
  - Private Finance Initiative
  - Sale and Lease Back

- Similar asset based finance

### **Municipal Bonds Agency**

4.13 The UK Municipal Bonds Agency, established in 2014 by the Local Government Association, provides an alternative to the PWLB by issuing bonds on the capital markets and lending the proceeds to local authorities. This source of finance is more complex than PWLB borrowing for two reasons:

- Borrowing authorities must provide bond investors with a guarantee to repay their investment if the Agency is unable to do so.
- There is a lead time of several months between committing to borrow and confirming the interest rate payable.

4.14 There are currently no plans to borrow from the Municipal Bonds Agency during 2026/27. Any future decision to do so will be subject to a separate report to the Audit Committee.

### **LOBOs**

4.15 The Council currently holds £50 million in LOBO (Lender's Option Borrower's Option) loans. The next option date on these loans is not until 2027/28 under which the lender can propose an interest rate increase at specified dates. Following such a proposal, the Council has the option to either accept the new rate or repay the loan at no additional cost. Given that interest rates remain elevated, there is a reasonable possibility that lenders may seek to exercise their options. If this occurs, the Council intends to repay the LOBO loans to mitigate refinancing risk in future years.

4.16 When loans are repaid prematurely, a premium is typically payable to the lender to compensate for interest forgone at the contractual rate when prevailing market rates are lower. If early repayment was considered, to refinance LOBOs, the Council would need to borrow both the original principal and the premium payable. However, this approach can be advantageous where interest savings over the life of the replacement loan exceed the premium costs. Replacing LOBOs that include a lender option to increase rates with fixed-rate debt would also reduce refinancing and interest rate risk.

4.17 Any decision to repay a LOBO loan will be made by the Section 151 Officer in consultation with the Lead Cabinet Member for Finance and Corporate Services, in accordance with Haringey's Constitution.

## Short-term and Variable Rate Loans

4.18 These loans expose the Council to potential increases in short-term interest rates. To manage this risk, they are governed by the interest rate exposure limits set out in the treasury management indicators in this report. Where appropriate, the Council may use financial derivatives to reduce volatility and provide greater certainty over borrowing costs.

## Debt Rescheduling

4.19 The Public Works Loan Board (PWLB) permits authorities to repay loans before their maturity date, applying either a premium or a discount based on a formula linked to current interest rates. Other lenders may also agree to negotiate early redemption terms. The Council may take advantage of these opportunities to replace existing loans with new ones or to repay loans without replacement, where this is expected to deliver overall cost savings or reduce financial risk. In the current interest rate environment, more favourable debt rescheduling options could emerge compared to previous years.

## Borrowing Limits

4.20 The Council's total borrowing limits are set out in Table 6 below.

4.21 The **Authorised Limit** represents the statutory maximum level of external borrowing, calculated on a gross basis (i.e., without offsetting investments), as required under Section 3(1) of the Local Government Act 2003. This limit, referred to in legislation as the Affordable Limit, is set to include borrowing and other long-term liabilities such as finance leases, which are identified separately. It is based on a prudent estimate of the most likely scenario, with additional headroom to accommodate unexpected cash flow movements without breaching the statutory limit.

4.22 The **Operational Boundary** is directly linked to the Council's estimates of the Capital Financing Requirement (CFR) and anticipated cash flow needs. It is calculated using the same prudent assumptions as the Authorised Limit, reflecting the most likely scenario rather than the worst case. However, unlike the Authorised Limit, it does not include additional headroom for unexpected cash movements. Both the Operational Boundary and the Authorised Limit apply at the overall total level.

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4.23 The Chief Finance Officer has delegated authority, within the overall limit for any given year, to adjust the separately agreed limits for borrowing and other long-term liabilities. Such decisions will be informed by financial option appraisals and best value considerations. Any changes between these limits will be reported to Audit Committee.

**Table 7: Borrowing Limits**

	2025/26 Limit £m	2026/27 Limit £m	2027/28 Limit £m	2028/29 Limit £m	2029/30 Limit £m	2030/31 Limit £m
Authorised limit - borrowing	1,410	1,642	1,979	2,651	3,047	3,665
Authorised limit - PFI & Leases	66	56	49	43	36	29
<b>Authorised limit - total external debt</b>	<b>1,476</b>	<b>1,698</b>	<b>2,028</b>	<b>2,693</b>	<b>3,083</b>	<b>3,694</b>
Operational boundary - borrowing	1,360	1,592	1,929	2,451	2,797	3,115
Operational boundary - PFI & Leases	60	51	45	39	33	26
<b>Operational boundary - total external debt</b>	<b>1,420</b>	<b>1,643</b>	<b>1,973</b>	<b>2,489</b>	<b>2,829</b>	<b>3,141</b>

**Table 8: Ratio of General Fund Gross Financing Costs to Net Revenue Stream**

	31.3.26	31.3.27	31.3.28	31.3.29	31.3.30	31.3.31
	Estimate	Forecast	Forecast	Forecast	Forecast	Forecast
	£m	£m	£m	£m	£m	£m
<b>General Fund</b>						
MRP	37.4	36.0	28.6	31.5	33.7	37.7
Interest	20	26	32	36	39	40
<b>Total Financing Costs</b>	<b>57.8</b>	<b>62.3</b>	<b>60.7</b>	<b>67.4</b>	<b>72.4</b>	<b>78.2</b>
<b>Net Revenue Stream</b>	<b>291</b>	<b>348</b>	<b>370</b>	<b>385</b>	<b>399</b>	<b>408</b>
<b>Financing Cost to NRS</b>	<b>20%</b>	<b>18%</b>	<b>16%</b>	<b>18%</b>	<b>18%</b>	<b>19%</b>

**Table 9: Ratio of Gross Financing Costs to HRA rents**

	<b>31.3.26</b>	<b>31.3.27</b>	<b>31.3.28</b>	<b>31.3.29</b>	<b>31.3.30</b>	<b>31.3.31</b>
	<b>Estimate</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>Housing Revenue Account</b>						
Interest	20	31	47	56	64	71
Dwellings Rent	104	130	140	150	162	173
<b>Financing Cost to NRS</b>	<b>20%</b>	<b>24%</b>	<b>33%</b>	<b>37%</b>	<b>40%</b>	<b>41%</b>

4.24 In October 2025, Cabinet approved the development and incorporation of a Limited Liability Partnership to support the purchase and lease of residential accommodation and the initiation of a market exercise to access to long term institutional finance. If Cabinet take a decision to proceed, the Council may fund the initial acquisition and renovation costs prior to the Council leasing the properties to the Haringey Limited Liability Partnership (HLLP). The Council will recoup both the acquisition, renovation costs (and the carry costs) through the premium that it will receive at the point of entering the lease with the HLLP but there could be short term borrowing required.

## 5 **Treasury Investment Strategy**

5.1 The treasury investment strategy is unchanged from that set out in the approved 2025/26 TMSS. The Council holds invested funds consisting of income received in advance of expenditure, together with balances and reserves. Treasury investment balances are expected to be at similar levels in the coming year as they have been in 2025/26.

### **Objectives**

5.2 In accordance with the CIPFA Code, the Council is required to invest its treasury funds prudently, prioritising the security and liquidity of investments before seeking the highest possible return. The Council's objective is to maintain an appropriate balance between risk and return, minimising the risk of loss from defaults while avoiding unduly low investment income. For funds expected to be invested for more than one year, the Council aims to achieve a total return at least equal to the prevailing rate of inflation, thereby preserving the spending power of the invested sum. In addition, the Council is committed to being a responsible investor and will take environmental, social, and governance (ESG) factors into account when making investment decisions (see Section 5.4).

### **Strategy**

5.3 As indicated by the liability benchmark, the Council expects to remain a long-term borrower. Consequently, new treasury investments will primarily be made to manage day-to-day cash flows using short-term, low-risk instruments. The Council will continue its policy of utilising highly creditworthy and highly liquid investments, such as deposits with the Debt Management Office (DMO), AAA-rated money market funds, and other entities on the Council's approved counterparty list.

### **ESG policy**

5.4 Environmental, social, and governance (ESG) factors are increasingly influencing global investment decisions. When selecting banks and funds, the Council will prioritise institutions that are signatories to the UN Principles for Responsible Banking and funds managed by organisations that adhere to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance, and/or the UK Stewardship Code.

### **Business Models**

5.5 Under IFRS 9, the accounting treatment for certain investments depends on the Council's "business model" for managing them. The Council's approach is to derive value from its treasury investments by collecting contractual cash flows. Therefore, where the other qualifying criteria are met, these investments will continue to be accounted for at amortised cost.

### **Approved Counterparties**

5.6 The Council may invest its surplus funds with any of the counterparty types in Table 10, subject to the limits shown.

**Table 10: Treasury Investment Counterparties and Limits**

<b>Sector</b>	<b>Time Limit</b>	<b>Counter-party Limit</b>	<b>Sector Limit</b>
The UK Government	50 years	Unlimited	n/a
Money Market Funds	n/a	£10m	Unlimited
Local authorities & other government entities	25 years	£5m	Unlimited
Banks (secured)*	2 years	£5m	Unlimited
Banks (unsecured)*	13 months	£5m	Unlimited
Building societies (unsecured)*	13 months	£5m	£20m
Registered providers (unsecured)*	5 years	£5m	£20m
Strategic Pooled Funds	n/a	£5m	Unlimited
Real Estate Investment Trusts	n/a	£5m	Unlimited

### **Minimum Credit Rating**

5.7 Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is at least A-. Where available, the credit rating specific to the investment or investment class will be used; otherwise, the counterparty's credit rating will apply. However, investment decisions are never based solely on credit ratings—other relevant factors, including external advice, will always be considered.

### **Government**

5.8 The Council may invest in loans, bonds, and bills issued or guaranteed by national governments, regional and local authorities, and multilateral development banks. These investments are not subject to bail-in and generally carry a lower risk of insolvency, though they are not entirely risk-free. Investments with the UK Government are considered to have zero credit risk due to its ability to create additional currency and may therefore be made in unlimited amounts for terms of up to 50 years.

### **Bank Secured Investments**

5.9 Bank secured investments are backed by the borrower's assets, which helps limit potential losses in the event of insolvency. The amount and quality of this security will be a key consideration in investment decisions. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where no specific credit rating exists for the investment, but the collateral has a rating, the higher of the collateral rating and the counterparty rating will be applied. The combined total of secured and unsecured investments with any single counterparty will not exceed the cash limit for secured investments.

### **Banks and Building Societies (unsecured)**

5.10 The Council may invest in accounts, deposits, certificates of deposit, and senior unsecured bonds with banks and building societies, excluding multilateral development banks. These investments carry the risk of credit loss through bail-in if the regulator determines that the institution is failing or likely to fail. Arrangements relating to operational bank accounts are outlined below.

## **Registered Providers (unsecured)**

5.11 The Council may invest in loans, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

## **Money Market Funds**

5.12 Money market funds 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 banks of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

## **Strategic Pooled Funds**

5.13 Strategic pooled funds include bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Since these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

## **Real Estate Investment Trusts (REITs)**

5.14 REITs are publicly traded companies that invest mainly in real estate and pay most of their rental income to investors in a similar manner to pooled property funds. As with pooled property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

## **Operational Bank Accounts**

5.15 The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £10m per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

## **Risk Assessment and Credit Ratings**

5.16 Credit ratings are obtained and monitored by the Council's treasury advisers, 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 the recall or sale of all other existing investments with the affected counterparty.

5.17 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of

the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

### **Other Information on the Security of Investments**

5.18 The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

### **Reputational aspects**

5.19 The Council acknowledges that investing with certain counterparties, although financially secure, may subject it to criticism, whether valid or not, that could impact its public reputation. This risk will be considered when making investment decisions.

5.20 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, this is not generally reflected in credit ratings but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

### **Investment Limits**

5.21 The Council's revenue reserves available to cover investment losses are forecast to be £30 million on 31st March 2026 and £30 million on 31 March 2027. In order that no more than 100% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £10 million. A group of entities under the same ownership will be treated as a single organisation for limit purposes.

5.22 Limits are also placed on fund managers, investments in brokers' nominee accounts and foreign countries as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country since the risk is diversified over many countries.

**Table 11: Additional Investment Limits**

	<b>Cash Limit</b>
Any single organisation, except the UK Central Government	£10m each
UK Central Government	Unlimited
Any group of organisations under the same ownership	£10m per group
Any group of pooled funds under the same management	£10m per manager
Negotiable instruments held in a broker's nominee account	£10m per broker
Foreign countries	£10m per country
Registered providers and registered social landlords	£10m in total
Unsecured investments with building societies	£10m in total
Loans to unrated corporates	£10m in total
Money market funds*	£50m in total
Real Estate Investment Trusts	£10m in total

\* These limits apply for both Haringey Council and Haringey Pension Fund, so the limit for Money Market Funds is £10m per MMF and £50m aggregate limit for the Council, and £50m for the Pension Fund.

## Liquidity Management

5.23 The Council uses purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast.

## 6 Treasury Management Prudential Indicators

6.1 The Council measures and manages its exposures to treasury management risks using the following indicators which largely remain unchanged in 2026/27 TMSS from previous years.

### Security

6.2 The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit Risk Indicator	Target
Portfolio average credit rating	Above A, score of 6 or lower

### Liquidity

6.3 The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling 3-month period, without additional borrowing.

Liquidity Risk Indicator	Target
Total cash available within 3 months	£30m

### Interest rate exposures

6.4 This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest Rate Risk Indicator	Target
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£2m
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£2m

6.5 The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates

### Maturity structure of borrowing

6.6 This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing are shown on the following page:

Refinancing Rate Risk Indicator	Upper Limit	Lower Limit
Under 12 months	40%	0%
12 months and within 24 months	40%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	50%	0%
10 years and above	100%	0%

6.7 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.

### **Total short-term borrowing**

6.8 In recent years, the Council has used short term borrowing (under 1 year in duration) from other local authorities to meet short-term liquidity requirements. Short term borrowing can also be raised from other counterparties such as banks. This approach offers increased flexibility for cash flow management by the Council and can serve as an alternative to borrowing from PWLB over a longer term. More recently this source has proved to be more expensive form of borrowing and the amount of temporary borrowing undertaken has decreased.

6.9 Short-term borrowing exposes the Council to refinancing risk. This is the risk that interest rates may rise quickly over a short period of time, resulting in significantly higher rates when the loans mature. In such cases, there is a risk that the new replacement borrowing would need to be taken at higher interest rates compared to the maturing loans.

6.10 Bearing this in mind, the Council has set a limit on the total amount of short-term borrowing that has no associated protection against interest rate rises, as a proportion of all borrowing.

Short term borrowing	Target
Upper limit on short-term borrowing that exposes the Council to interest rate rises as a percentage of total borrowing	20%

### **Long-term treasury management investments**

6.11 The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management investments are detailed below. This has been increased from £5m to £20m from 2026/27 to reflect the potential principal to be invested beyond year end.

Price Risk Indicator	2026/27	2027/28	2028/29
Limit on principal invested beyond year end	£20m	£20m	£20m

## **7 Related Matters**

7.1 The CIPFA Code requires the Council to include the following in its treasury management strategy.

**Financial Derivatives.**

7.2 Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g., interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g., LOBO loans and callable deposits). The general power of competence in section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e., those that are not embedded into a loan or investment).

- 7.3 The Council 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 the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be considered when determining the overall level of risk. 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 treasury risk management strategy.
- 7.4 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk will be included to count against the counterparty credit limit and the relevant foreign country limit.
- 7.5 In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

### **Housing Revenue Account**

- 7.6 On 1<sup>st</sup> April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. Since then, new long-term loans borrowed are assigned in their entirety to one pool or the other. 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. 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 at the Authority's average interest rate on investments, adjusted for credit risk.

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

- 7.7 The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Corporate Director of Finance and Resources (S151 Officer) considers this to be the most appropriate status.

## **8 Financial Implications**

- 8.1 The budget for investment income in 2026/27 is £1.05m based on an average investment portfolio of £30 million at an interest rate of 3.5%.
- 8.2 The budget for total debt interest paid in 2026/27 is detailed in Table 12 below for both the General Fund and HRA. If the actual levels of investments and borrowing, or the actual interest rates, differ from those forecasted, the performance against the budget will be correspondingly different. This will be reported through the quarterly Treasury Management report to Audit Committee and in the finance quarterly monitoring report to Cabinet.
- 8.3 As debt on the General Fund needs to be repaid, the Council is required by statute to set aside from its revenue account an annual amount sufficient to repay its borrowing. This is known as the minimum revenue provision (MRP). In line with guidance, MRP does not need to be paid on HRA borrowing and the Council currently uses this flexibility. However given the level of borrowing this will remain under review each year. Table 12 sets out the revenue budgets in both the General Fund and HRA for both interest costs on borrowing and minimum revenue provision (MRP) charges. The concept of self-financing schemes and the assumed savings are no longer within the TMSS. The interest and MRP budgets reflect the costs of financing the scheme and associated savings are accounted for in the Council's service revenue budgets.

8.4 The Department for Levelling Up, Housing and Communities (DLUHC) now Ministry of Housing, Communities and Local Government (MHCLG), issued statutory guidance (updated 2018) on determining a prudent level of MRP. The Council's MRP Policy Statement for 2026/27 is included in Annex C.

**Table 12: Revenue budget for interest costs and MRP**

	31.3.26	31.3.27	31.3.28	31.3.29	31.3.30	31.3.31
	Estimate	Forecast	Forecast	Forecast	Forecast	Forecast
	£m	£m	£m	£m	£m	£m
General Fund MRP	16	17	19	20	20	21
EFS MRP	0.3	2	5	8	11	14
<b>Total Loans MRP</b>	<b>17</b>	<b>19</b>	<b>24</b>	<b>28</b>	<b>31</b>	<b>35</b>
General Fund Interest	20	26	32	36	39	40
EFS Interest	3	8	14	19	24	30
<b>Total Capital Financing Costs</b>	<b>40</b>	<b>54</b>	<b>70</b>	<b>83</b>	<b>94</b>	<b>106</b>
HRA Interest Costs	20	31	47	56	64	71
PFI/Lease MRP	20.8	16.8	4.5	3.6	2.6	2.6
<b>Total Council Revenue Impact</b>	<b>81</b>	<b>102</b>	<b>121</b>	<b>142</b>	<b>161</b>	<b>179</b>

## 9 Other Options Considered

9.1 The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Corporate Director of Finance and Resources (S151 Officer), having consulted the Cabinet Member for Finance and Corporate Services, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are as follows.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

## **Annex A – Arlingclose Economic & Interest Rate Forecast – December 2025**

### **Underlying assumptions:**

- As expected, the Monetary Policy Committee (MPC) reduced Bank Rate at 3.75% in December, although, with a 6-3 voting split and obvious concerns about economic growth, presented a much more dovish stance than had been expected given recent inflationary data.
- The Budget measures remain a concern for policymakers, for both growth and inflation. Additional government spending will boost demand in a constrained supply environment, while pushing up direct costs for employers. The short to medium-term inflationary effects will promote caution amongst policymakers.
- UK GDP recovered well in H1 2024 from technical recession, but underlying growth has petered out as the year has progressed. While government spending should boost GDP growth in 2025, private sector activity appears to be waning, partly due to Budget measures.
- Private sector wage growth and services inflation remain elevated; wage growth picked up sharply in October. The increase in employers' NICs, minimum and public sector wage levels could have wide ranging impacts on private sector employment demand and costs, but the near-term impact will likely be inflationary as these additional costs get passed to consumers.
- CPI inflation rates have risen due to higher energy prices and less favourable base effects. The current CPI rate of 2.6% could rise further in Q1 2026. The Bank of England (BoE) estimates the CPI rate at 2.7% by year end 2025 and to remain over 2% target in 2026.
- The MPC re-emphasised that monetary policy will be eased gradually. Despite recent inflation-related data moving upwards or surprising to the upside, the minutes suggested a significant minority of policymakers are at least as worried about the flatlining UK economy.
- US government bond yields have risen following strong US data and uncertainty about the effects of Donald Trump's policies on the US economy, particularly in terms of inflation and monetary policy. The Federal Reserve pared back its expectations for rate cuts in light of these issues. Higher US yields are also pushing up UK gilt yields, a relationship that will be maintained unless monetary policy in the UK and US diverges.

### **Forecast:**

- In line with our forecast, Bank Rate was cut to 3.75% in December.
- The MPC will reduce Bank Rate in a gradual manner. We see a rate cut in February 2026, followed by a cut alongside every Monetary Policy Report publication, to a low of 3.75%.
- Long-term gilt yields have risen to reflect both UK and US economic, monetary and fiscal policy expectations, and increases in bond supply. Volatility will remain elevated as the market digests incoming data for clues around the impact of policy changes.
- This uncertainty may also necessitate more frequent changes to our forecast than has been the case recently.

- The risks around the forecasts lie to the upside over the next 12 months but are broadly balanced in the medium term.

### Interest Rate Forecast:

The table below shows the most recent interest rate forecast provided by Arlingclose.

	Current	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28
<b>Official Bank Rate</b>													
Up <b>side</b> risk	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50
Central Case	<b>4.00</b>	<b>3.75</b>											
Down <b>side</b> risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
<b>3-month money market rate</b>													
Up <b>side</b> risk	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50
Central Case	<b>3.90</b>	<b>3.80</b>	<b>3.75</b>	<b>3.80</b>	<b>3.85</b>								
Down <b>side</b> risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
<b>5yr gilt yield</b>													
Up <b>side</b> risk	0.00	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	<b>3.94</b>	<b>4.00</b>											
Down <b>side</b> risk	0.00	-0.55	-0.60	-0.70	-0.80	-0.90	-0.95	-1.00	-1.05	-1.10	-1.10	-1.10	-1.10
<b>10yr gilt yield</b>													
Up <b>side</b> risk	0.00	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	<b>4.47</b>	<b>4.45</b>	<b>4.45</b>	<b>4.40</b>									
Down <b>side</b> risk	0.00	-0.55	-0.60	-0.70	-0.80	-0.90	-0.95	-1.00	-1.05	-1.10	-1.10	-1.10	-1.10
<b>20yr gilt yield</b>													
Up <b>side</b> risk	0.00	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	<b>5.13</b>	<b>5.10</b>	<b>5.10</b>	<b>5.00</b>									
Down <b>side</b> risk	0.00	-0.55	-0.60	-0.70	-0.80	-0.90	-0.95	-0.95	-0.95	-0.95	-0.95	-0.95	-0.95
<b>50yr gilt yield</b>													
Up <b>side</b> risk	0.00	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	<b>4.73</b>	<b>4.70</b>	<b>4.75</b>	<b>4.65</b>	<b>4.70</b>								
Down <b>side</b> risk	0.00	-0.55	-0.60	-0.70	-0.80	-0.90	-0.95	-0.95	-0.95	-0.95	-0.95	-0.95	-0.95

PWLB Standard Rate = Gilt yield + 1.00%

PWLB Certainty Rate = Gilt yield + 0.80%

PWLB HRA Rate = Gilt yield + 0.40%

National Wealth Fund (NWF) Rate = Gilt yield + 0.40%

## Annex B – Existing Investment & Debt Portfolio Position - December 2025

	Actual portfolio £m	Average rate %
<b>External borrowing:</b>		
Public Works Loan Board	1,064.9	3.47%
LOBO loans from banks	50.0	4.75%
Local authorities	27.0	4.24%
<b>Total external borrowing</b>	<b>1,141.9</b>	<b>4.15%</b>
<b>Treasury investments:</b>		
The UK Government (DMADF)	23.0	3.70%
Money market funds	50.0	3.92%
<b>Total treasury investments</b>	<b>73.0</b>	<b>3.81%</b>

## Annex C - Minimum Revenue Provision Statement 2026/27

Where the Authority funds capital expenditure with debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance) most recently issued in April 2024.

The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is aligned with that over which the capital expenditure provides benefits. The MHCLG Guidance requires the Authority to approve an Annual MRP Statement each year and provides a number of options for calculating a prudent amount of MRP but does not preclude the use of other appropriate methods, which is what this policy allows for.

The following statement incorporates options recommended in the Guidance, as well as well as locally determined prudent methods:

MRP is calculated by reference to the capital financing requirement (CFR) which is the total amount of past capital expenditure that has yet to be permanently financed, noting that debt must be repaid and therefore can only be a temporary form of funding.

The CFR is calculated from the Authority's balance sheet in accordance with the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Expenditure in Local Authorities, 2021 edition.

For capital expenditure incurred before 1st April 2008, MRP will be determined using the annuity basis and an average asset life of 33 years.

For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset as the principal repayment on an annuity equal to the average relevant PWLB rate for the year of expenditure, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over up to 20 years.

For assets acquired by lease, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

For assets acquired under the Private Finance Initiative, MRP will be made over the asset life on the annuity basis.

Where former operating leases have been brought onto the balance sheet due to the adoption of the IFRS 16 Leases accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or incentives, then the MRP charges will be adjusted so that the overall charge for MRP over the life of the lease reflects the value of the right-of-use asset recognised on transition rather than the liability.

## Asset Lives

Investment in assets generates a future flow of benefits. The overall length of those benefits (asset lives) varies for each asset type. Within the MRP policy, these asset lives are used:

### Years

Lighting Infrastructure	50
Highways Structures	50
Roads and Pavements, Street Signage, Public Realm	30
Acquisition of Property	40
Operational Property - extensive refurbishment	40
Operational Property - non extensive refurbishment	30
Parks Asset Management	20
External Equipment (e.g. park equipment, cycle hangers)	10
Waste Vehicles (Large)	8
CCTV Cameras	5
Waste Vehicles (small/medium)	4
Non waste vehicles	5
IT	7

## Capital loans

For capital expenditure on loans to third parties which were made primarily for financial return rather than direct service purposes, MRP will be charged in accordance with the policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. This MRP charge will be reduced by the value any repayments of loan principal received during in the year, with the capital receipts so arising applied to finance the expenditure instead.

For capital expenditure on loans to third parties which were made primarily for service purposes, the Authority will make nil MRP except as detailed below for expected credit losses. Instead, the Authority will apply the capital receipts arising from the repayments of the loan principal to finance the expenditure in the year they are received.

For capital loans made on or after 7th May 2024 where an expected credit loss is recognised during the year, the MRP charge in respect of the loan will be no lower than the loss recognised.

Where expected credit losses are reversed, for example on the eventual repayment of the loan, this will be treated as an overpayment.

For capital loans made before 7th May 2024 and for loans where expected credit losses are not applicable, where a shortfall in capital receipts is anticipated, MRP will be charged to cover that shortfall over the remaining life of the assets funded by the loan.

## Housing Revenue Account

No MRP will be charged in respect of assets held within the Housing Revenue Account but depreciation on those assets will be charged instead in line with regulations.

Based on the Authority's latest estimate of its CFR on 31st March 2026, the General Fund budget for MRP has been set as follows:

	31.03.2026 Estimated CFR	2026/27 Estimated MRP
	£'m	£'m
Capital expenditure before 01.04.2008	161.5	2.2
Supported capital expenditure after 31.03.2008	0.0	0.0
Unsupported capital expenditure after 31.03.2008	637.7	14.7
Leases and Private Finance Initiative	48.6	16.7
Transferred debt	0	0
Capital loans to third parties	6.0	0.3
Voluntary overpayment (or use of prior year overpayments)	n/a	n/a
EFS	64	1.9
<b>Total General Fund</b>	<b>917.8</b>	<b>35.9</b>
Assets in the Housing Revenue Account	722.0	0
HRA subsidy reform payment	0	0
<b>Total Housing Revenue Account</b>	<b>722.0</b>	
<b>Total</b>	<b>1,639.8</b>	<b>19.5</b>

## Overpayments

In earlier years, the Authority has not made voluntary overpayments of MRP that are available to reduce the revenue charges in later years.

## Capital receipts

Proceeds from the sale of capital assets are classed as capital receipts and are typically used to finance new capital expenditure. Where the Authority decides instead to use capital receipts to repay debt and hence reduce the CFR, the calculation of MRP will be adjusted as follows:

- Capital receipts arising on the repayment of principal on capital loans to third parties will be used to lower the MRP charge in respect of the same loans in the year of receipt, if any.
- Capital receipts arising on the repayment of principal on finance lease receivables will be used to lower the MRP charge in respect of the acquisition of the asset subject to the lease in the year of receipt, if any.
- Capital receipts arising from other assets which form an identified part of the Authority's MRP calculations will be used to reduce the MRP charge in respect of the same assets over their remaining useful lives, starting in the year after the receipt is applied.
- Any other capital receipts applied to repay debt will be used to reduce MRP in [10] equal instalments starting in the year after receipt is applied. 10 years is used because this matches the period over which discounts on the early repayment of borrowing are credited to revenue

## Capitalisation Direction

The current financial position of the Council continues to be very serious. The Council will be submitting a EFS request to government. The outcome will not be known until late February 2026 when an in-principle decision is expected. If agreed, then MHCLG will issue a capitalisation direction. This does not involve any new money. Instead, the Council will be allowed to capitalise its deficits on its revenue budget. The direction allows Councils to repay the EFS over a period up to 20 years. The proposed capital programme includes up to £100m of EFS in 2026/27. This policy is effective from 1/4/26.