



<b>Report To:</b>	Audit and Governance Committee
<b>Date:</b>	19 <sup>th</sup> January 2026
<b>Subject:</b>	Draft Treasury Management Policy Statement; Draft Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2026/27; and Treasury Management & Investment Management (Non-Treasury) Principles and Practices.
<b>Purpose:</b>	To provide pre-decision scrutiny to the treasury documents being proposed.
<b>Key Decision:</b>	No
<b>Portfolio Holder:</b>	Councillor Sandeep Ghosh, Portfolio Holder for Finance and Economic Growth
<b>Report Of:</b>	Russell Stone – Director of Finance (S151 Officer)
<b>Report Author:</b>	Sean Howsam, Treasury & Investments Manager (PSPSL)
<b>Ward(s) Affected:</b>	None directly
<b>Exempt Report:</b>	No

### Summary

This report covers the Draft Treasury Management Policy, Draft Treasury Management Strategy Statement and Treasury Management & Investment Management (Non-Treasury) Principles and Practices for the 2026/27 financial year. They are included as part of the Budget Setting Report that is submitted to Cabinet and Council for approval.

As the report is a treasury report it is being submitted to Audit and Governance Committee for scrutiny prior to submission to Cabinet and Council.

**This Report refers to a key element of the Council's Governance Framework and represents an important contribution to the evidence trail in support of the Annual Governance Statement 2026/27.**

### Recommendations

That the Audit and Governance Committee scrutinise the Treasury Management Policy (**Appendix 1**), the Treasury Management Strategy Statement, Minimum Revenue Provision Policy and Annual Investment Strategy 2026/27 (**Appendix 2**) and the Treasury Management & Investment (Non-Treasury) Principles and Practices

**(Appendix 3)** and make any comments and suggestions for consideration by Cabinet in February 2026 and Council on 2 March 2026 when they consider these documents as part of the budget report.

### **Reasons for Recommendations**

To comply with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management.

### **Other Options Considered**

Members have the option of making comments to Cabinet and Council in respect of the proposed strategy or alternatively making no comments.

## **1. Background**

- 1.1 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.
- 1.2 The second main function of the treasury management service is the funding of the Council's capital programme. The capital programme provides a guide to the borrowing need of the Council, essentially longer term cash flow planning to ensure the Council can meet its capital spending requirements. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion, any existing debt may be restructured to meet Council risk or cost objectives.
- 1.3 Accordingly, treasury management is defined as:

"The management of the local authority's borrowing, investments and cash flows, including its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".
- 1.4 The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report which will provide the following:
  - A high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services.
  - An overview of how the associated risk is managed.
  - The implications for future financial sustainability.

The aim of this capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite. The capital strategy is being reported separately.

## 2. Report

**2.1** There are no proposed changes to the Treasury Management Policy Statement in **Appendix 1** and it is attached for completeness.

**2.2** The Council is required to set out its Treasury Management Strategy Statement, Minimum Revenue Provision Policy and Annual Investment Strategy for the forthcoming year. These outline the Council's strategy for borrowing and its policies for managing its investments and for giving priority to the security and liquidity of those investments. Our strategy statements for 2026/27 are attached at **Appendix 2**. The strategy statements cover:

- reporting requirements
- capital prudential indicators 2025/26 to 2030/31
- the borrowing requirement
- the MRP policy
- the use of the Council's resources and the investment position
- prudential and treasury indicators
- treasury limits in force which will limit the treasury risk and activities of the Council
- prospects for interest rates
- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling
- the investment policy
- creditworthiness policy
- country limits
- investment strategy

**2.3** The strategy document presented to Audit and Governance for scrutiny is currently at draft stage. This is because the future Capital Programme has yet to be finalised and approved by Council. Once this is known the tables within the strategy document shown at **Appendix 2** will be amended and considered by Cabinet prior to submission to Council for approval before the commencement of the 2026/27 financial year.

**2.4** The Council's strategy statement has been prepared in accordance with the revised CIPFA Treasury Management Code and will require approval by Full Council. In addition there will be Quarterly and Mid-Year Treasury Reports and an Annual Report submitted to Governance and Audit Committee. The aim of these reporting arrangements is to ensure that those with ultimate responsibility for the treasury management function appreciate fully the implications of treasury management policies and activities, and that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

2.5 The strategy proposes an increase in the operational boundary for external borrowing from £15m to £35m and the authorised borrowing limit from £18m to £38m. The Council's Capital Financing Requirement projections are increasing through to 2030/31 resulting from unfinanced capital expenditure in the Capital Programme. The increase in the borrowing limits will provide flexibility to the S151 Officer to externally borrow to cover this capital expenditure when market conditions are most favourable.

2.6 The only change to the investment criteria proposed is an increase in the maximum amount invested in the CCLA Money Market Fund from £7.5m to £10m. This is because of the higher levels of short term funding required due to increases in precept payments.

2.7 The Treasury Management & Investment Management (Non-Treasury) Principles and Practices are attached at **Appendix 3**.

### **3. Conclusion**

3.1 This report has been produced based on information available from the budget setting process. As this process is ongoing, the information is subject to amendment prior to its final submission to Council.

#### **Implications**

##### **South and East Lincolnshire Councils Partnership**

None

##### **Corporate Priorities**

None

##### **Staffing**

None

##### **Workforce Capacity Implications**

None

##### **Constitutional and Legal Implications**

This Council is required to produce a Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy before the commencement of each financial year to comply with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management.

##### **Data Protection**

None

##### **Financial**

Adoption of the proposed Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy will ensure sound financial controls associated with the management of the authority's investments and cash flows, its banking, money market and capital market transactions and safeguard these assets.

## **Risk Management**

The Strategy will put in place measures for the effective control of the risks associated with Treasury Management and the pursuit of optimum performance consistent with those risks. The Council's priority is the security of its investments.

## **Stakeholder / Consultation / Timescales**

This report is being submitted for pre decision scrutiny prior to submission to Cabinet and Council.

MUFG Corporate Markets, who are external treasury advisors to the Council, have been consulted in relation to the compilation of this report.

The Portfolio Holder for Finance is briefed on treasury performance on a regular basis as part of the monthly portfolio meetings.

## **Reputation**

The security of investments is the Council's main priority when investing surplus cash.

## **Contracts**

None

## **Crime and Disorder**

None

## **Equality and Diversity / Human Rights / Safeguarding**

None

## **Health and Wellbeing**

None

## **Climate Change and Environmental Implications**

None directly from the report.

## **Acronyms**

BPF – Boston Partnership Fund

bps – basis points

CDS - Credit Default Swap

CFR – Capital Financing Requirement

CIPFA - Chartered Institute of Public Finance and Accountancy

CPI - Consumer Price Index

GDP – Gross Domestic Product

LB – Liability Benchmark

LOBO – Lender Option Borrower Option

LUF – Levelling Up Fund

MHCLG – Ministry of Housing, Communities and Local Government

MPC - Monetary Policy Committee

MRP – Minimum Revenue Provision

PWLB - Public Works Loan Board

q/q – Quarter on Quarter

RICS – Royal Institution of Chartered Surveyors

SONIA - Sterling Overnight Index Average

UKSPF - UK Shared Prosperity Fund

VRP – Voluntary Revenue Provision

## Appendices

Appendices are listed below and attached to the back of the report:

Appendix 1 Treasury Management Policy Statement 2026/27

Appendix 2 Draft Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Plan 2026/27

Appendix 3 Treasury Management and Investment Management (Non-Treasury) Principles and Practices

## Background Papers

Background papers used in the production of this report are listed below: -

Document title.	Where the document can be viewed.
Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management.	CIPFA Website

Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management.	CIPFA Website
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## Chronological History of this Report

A report on this item has not previously been considered by a Council body for the 2026/27 financial year.

## Report Approval

Report author: Sean Howsam – Treasury & Investments Manager (PSPSL)  
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