Committee Name: Treasury Management Committee

Committee Date: 11/11/2025

Report Title: Draft 2026-2027 Treasury Management Strategy changes

Portfolio:	Councillor Harper, Finance and Major Projects
Report from:	Interim Chief Finance Officer (S.151)
Wards:	**All Wards**
OPEN PUBLIC ITEM	

Purpose

This report sets out the Council's key draft Treasury Management Strategy changes being considered ahead of the draft budget report to December Cabinet.

Recommendation:

Committee is asked to:

1. Note the proposed key draft changes to the 2026-2027 Treasury Management Strategy

Policy Framework

The council has five corporate priorities, which are:

- A prosperous Norwich.
- A fairer Norwich.
- A climate responsive Norwich.
- A future-proof Norwich.
- An open and modern council.

This report meets the Norwich City Council is in good shape to serve the city corporate aim.

This report meets the treasury management committee workplan as agreed by Committee on 5th November 2024.

Report Details

Background

1. The contribution the treasury management function makes to the authority is critical. The balance of debt and investment operations ensure cash liquidity and the ability to meet spending commitments as they fall due, either on day-to-day expenditure or for larger capital projects.

2. The council's treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits impact the budget. Therefore, as part of the 2026-2027 budget setting process the council is required to prepare and publish its treasury management strategy (TMS).

3. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will result in a loss of resources to the General Fund and or the HRA.

4. CIPFA (the Chartered Institute of Public Finance & Accountancy) defines treasury management as: "The management of the local authority's borrowing, investments and cash flows, including its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

5. The TMS, which includes the Annual Investment Strategy, sets out the Council's investment priorities as being:
    - Security of capital.
    - Liquidity of capital; followed by
    - Yield.

Proposed Changes to the Draft TMS

6. The TMS is updated in the autumn for the coming financial year. The existing TMS is refreshed and updated for any changes to the code of practice or regulations in accordance with advice the current Council's Treasury Advisors MUFG (Arlingclose from 3rd November 2025).

7. In addition to the refresh, the TMS is also updated for known changes to the capital programme, debt maturities, cashflow changes and policy changes e.g. the Minimum Revenue Provision (MRP) Policy.

8. For 2026-2027 there are three key areas the strategy needs to consider as part of the overall refresh as follows:

    i) The first of the two £50M HRA loans matures in March 2026 (the second £50M loan matures March 2028).
    ii) Forecasts indicate 2026-2027 (and 2027-2028) will see interest rates fall slowly resulting in lower interest income and lower borrowing costs. However, it is unlikely rates will fall to levels that enables refinancing maturing loans at the same or less cost. The rates were 2.920% and 3.080% respectively.
    iii) The pipeline for key projects in the capital programme.

9. In order to address the key areas identified above, Council officers have met with MUFG/Arlingclose and identified the following strategy changes:

   i) Repay the first £50M loan maturity without re-financing when it falls due on 27th March 2026, subject to sufficient available cash.

   ii) If there is insufficient liquidity, refinancing of the £50M loan maturing on 27th March 2026 is made in tranches (subject to actual interest rates at the point of refinancing and the Council's loan maturity profile).

   iii) Any further borrowing/refinancing will be made in tranches. These tranches will be subject to actual interest rates at the point of refinancing and the Council's loan maturity profile whilst also taking into consideration LGR, with the aim not to do any new borrowing unless absolutely necessary before vesting day on 1st April 2028.

   iv) Of the remaining available cash, up to £50M to be invested in Money Market Funds to ensure liquidity and security of cash balances.

   v) As part of the Treasury Management Strategy 2025-2026 the Council agreed to open two further European Union Sustainable Finance Disclosure Regulation (EUSFDR) Article 8 compliant, AAA rated Money Market Funds (MMF's), taking the total number of MMF's to six with a maximum placement limit of £10m in each fund. This will support maintaining cash liquidity whilst also delivering a good rate of return at relatively low risk.

   vi) In accordance with delegated authority under the financial regulations, the s.151 Officer will keep the above actions, along with the rest of the TMS under review and take appropriate measures to borrow or refinance loans according to the prevailing interest rate environment.

Regulatory Update

10. There are no proposed changes to the accounting standards that will affect the treasury management strategy this year.

11. A response to the CIPFA Prudential and Treasury Management Code Consultation regarding proposed changes has been prepared and returned. The aim of any changes would be to clarify roles and definitions, improve governance of commercial and service (non-treasury) investments and improve transparency and consistency of the data reported, all of which was supported.

Consultation

12. The report will be considered by the Treasury Management Committee who are asked to note the report for consideration at Cabinet and Council.

Implications

Financial and Resources

13. Any decision to reduce or increase resources or alternatively increase income must be made within the context of the council's stated priorities,

as set out in its Corporate Plan and Budget. This report is for information only and there are no proposals in this report that would reduce or increase resources.

Legal

14. The Council must have regard to the provisions of the Treasury Management code of practice when undertaking and reporting on its treasury activities. The requirement for Council to approve its Treasury Management Strategy and to receive reports, on its treasury management performance, are requirements of the Code of Practice.

Statutory Considerations

Consideration	Details of any implications and proposed measures to address:
Equality and Diversity	None
Health, Social and Economic Impact	None
Crime and Disorder	None
Children and Adults Safeguarding	None
Environmental Impact	Sustainable investment products are an area of growth in the market. These options will be considered where the investments are in line with approved Treasury Management Strategy. Security, liquidity and yield remain the cornerstones of the Treasury Management Strategy, and it is vital that all investments continue to ensure the security of council funds as a priority and remain compatible with the risk appetite of the council and its cash flow requirements.

Risk Management

15. Managing risk is a major part of treasury management activity. All the limits and indicators in place to reduce the level of risk have been adhered to so that risks are at an acceptable level as in the treasury management strategy.

Risk	Consequence	Controls Required
Future interest rate changes can offer both opportunity and risk. Cashflow requirements are known to avoid the need for unplanned borrowing or overdraft facilities to meet expenses as they fall due.	Future loan interest rate changes need to be assessed against the cost of borrowing and the council's ability to fund expenditure from its own cashflows (internal borrowing). Investment rates offer an opportunity to generate income in	To mitigate the risk, we will work closely with our treasury advisors to review interest rate forecasts to assess when we should borrow. Surplus cash for investing is only available on a short-term basis until required to meet on-going or capital expenditures. The existence of reserves provides some longer-term

	support of council priorities subject to the achievement of security and liquidity considerations.	opportunities to generate investment returns but must be undertaken alongside an assessment of risk and knowledge of the council's cashflow requirements.

Other Options Considered

16. No other options have been considered. The report is to inform the treasury management committee and the council of the key changes to the treasury management strategy.

Reasons for the decision/recommendation

17. To ensure the treasury management committee and Council are kept informed of treasury activity in line with the Financial Regulations.

Background papers: None

Appendices: Appendix A – 2025/26 TMS

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