

# **Draft Treasury Management Strategy**

## **2026/27**



DRAFT

## **Councillor Mark Lowry**

This strategy sets out a framework of controls that provides assurance for the way the City Council manages its investments and borrowing.

It demonstrates Plymouth City Council's commitment to sound management and control of the Council's cash and investments and forms a key strand of the Medium-Term Financial Strategy and Budget. In doing so, the strategy provides a strong foundation which underpins the Council's ambitious investments in the future of Plymouth.

### **Interim Service Director for Finance (S151 Officer)**

The Treasury Management Strategy sets out a framework within which the Council's treasury management requirements and risks can be managed successfully.

The uncertain outlook for financial markets and the world economy impacts upon borrowing and investment rates of interest. This Strategy will help support the council in responding to this volatility in the short to medium term.

The strategy will ensure that Plymouth City Council stays within the limits prescribed under CIPFA's Prudential Code for Capital Finance and complies with other areas of national guidance relating to Treasury Management and related activity.

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# SECTION I: INTRODUCTION, OVERVIEW & CONTEXT

## I. Introduction

Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The City 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 risk are therefore central to the Council's prudent financial management. Treasury risk management at Plymouth City 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 (the CIPFA Code) which requires the City Council to approve a treasury management strategy before the start of each financial year. This Appendix fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

The document also sets out Plymouth City Council's Non-Treasury Investment Strategy, a requirement of statutory guidance on Local Government Investments. Finally, the document sets out Plymouth City Council's statement of policy on the Minimum Revenue Provision for approval by the City Council, fulfilling the Council's legal obligation under statutory guidance issued under the Local Government Act 2003.

## 2. Overview – Investment & Borrowing strategies at a glance

### INVESTMENTS – FACTS AT A GLANCE

#### Principles and Objectives of the Treasury Management Strategy

- To achieve the best secure investment returns (a target rate of 3.75% has been set for 2026/27)
- To achieve a balanced spread of maturities and commitments
- To achieve the right mix of borrowing vehicles
- To balance risk against return

#### Market Intelligence

- Bank of England reports
- Market advice, credit ratings and other information from the Council's advisers Arlingclose.

#### Investments

- Sterling only
- Can use UK Government, Local Authority or a body of high credit quality (defined as organisations and securities having a credit rating of [A-] or higher and domiciled in UK).

#### Counterparties and Limits (see table on page 14)

#### Investment Limits – subject to Counterparty table on page 20

- **Unlimited** UK Government
- **Unlimited** Money Market Fund and up to £15m per individual fund to a maximum limit up to 0.5% total fund value.
- **£25m** any single local authority or government entity
- **£10m** per Bank (unsecured)
- **£20m** unrated corporates
- **£60m** Strategic Pooled Funds

#### Statutory and Performance Framework

Rules that guide us

#### Approach

**Hierarchy of objectives** - Security first, then liquidity and then Yield.

*Choices made within the framework*

**Risk Assessment and credit rating** - We monitor credit ratings daily so any new investments will be made using the latest credit information. Market intelligence from our advisors may give warnings before credit warning changes e.g., credit default swaps information. Market intelligence from our advisors may give warnings before credit warning changes e.g., credit default swaps information.

## BORROWING – FACTS AT A GLANCE

### Principles and Objectives of the Treasury Management Strategy

- To minimise the cost of borrowing (a target rate of 4.5% has been set for medium/long-term borrowing and 4% short term borrowing)
- To achieve a balanced spread of maturities and commitments
- To achieve the right mix of borrowing vehicles

### Market Intelligence

- Bank of England reports
- Market outlook, debt restructuring advice and technical support from the Council's advisers Arlingclose.

### Borrowing requirements – key assumptions and limits for 2026/27

- **£114m** Total Capital Expenditure in 2026/27 of which financed by £52m external borrowing, with an allowance for further borrowing of £38m to support known capital pipeline need.
- **£961m** Capital Finance Requirement (underlying need to borrow)
- **£936m** assumed total debt (financing required in 2026/27 of which £98m borrowing to fund the forecast DSG deficit).
- **£1022m** Operational Boundary (practical ceiling on borrowing)
- **£1072m** The Authorised Limit (absolute maximum debt approved)

### Key Prudential & Treasury Management Indicators

- **17.0%** Ratio of finance costs to net revenue stream (statutory definition of borrowing costs as a proportion of net revenue resources)
- **10.5%** Ratio of core finance costs to net revenue stream (local indicator measuring compliance with Capital Strategy policy framework)
- **100%** Limit on Fixed Interest Rate exposure
- **25%** Limit on Variable Interest Rate exposure  
Upper and Lower limits are set for different durations to provide a framework for the Council's maturity structure of borrowing, to mitigate the risk of over-exposure to refinancing risks – see page 19 for further details.

### Minimum Revenue Provision Policy (MRP)

- Annuity Method
- PFI/Leases can be charged on an annuity method over the life of the asset.
- Option for capital receipts to be used towards repaying debt

<p><b>Approach</b></p> <p><i>Choices made within the framework</i></p>	<p><b>Balanced objectives</b> - The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. In addition, the Council seeks to ensure a minimum level of short-term borrowing is held to maximise the benefit from a hedging arrangement.</p> <p><b>Strategy</b> the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates anticipated to be lower than long-term rates for much of 2026/27. Mitigation of interest rate risk continues to be an important consideration thus an approach to use a mix of internal resources, short-term loans and PWLB loans under an EIP (equal instalment payment) to remain within the 2026/27 revenue provision for borrowing. EIP loans spread the risk of refinancing across the life of the loan on equal 6 monthly repayments.</p> <p><b>LOBOs</b> - with interest rates having risen recently, there is now a reasonable chance that lenders will exercise their options. If they do, the Authority will take the option to repay LOBO loans to reduce refinancing risk in later years</p> <p><b>Debt Restructuring</b> - the council will reschedule or restructure debt if it reduces cost or risk, in consultation with our appointed advisors Arlingclose. The council uses a present value calculation (based on current rates) to assess value of debt restructuring options that could result in a discount or premium being receivable / payable. A present value calculation based on current rates for the same period of loan may result in a discount or premium.</p> <p>The council will re-schedule debt if it reduces cost/risk or offers essential revenue saving options that are required to balance the revenue budget position.</p>
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### 3. Context – economic background and interest rate outlook

Specialist advisers Arlingclose support the Council with borrowing and investment advice. This section summarises Arlingclose's assessment of the economy and interest outlook in the coming months and years. Further detail is set out in Appendix A.

**Economic background:** The most significant impacts on the Authority's treasury management strategy for 2026/27 are expected to include: the influence of the government's 2025 Autumn Budget, lower short-term interest rates alongside higher medium- and longer-term rates, slower economic growth, together with ongoing uncertainties around the global economy, stock market sentiment, and geopolitical issues. 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. 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 final Treasury Management Strategy for 2026/27 taken to full council in February 2026 will include any further updates as appropriate.

## Interest Rate Forecast

Interest rate forecast (22<sup>nd</sup> December 2025): 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 Bank of England Monetary Policy Committee meeting held on 18<sup>th</sup> December.

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.

A more detailed economic and interest rate forecast provided by Arlingclose is in Appendix A.

## 4. Context – the Council's Capital Financing Requirements

On 31 December 2025, Plymouth City Council held £757.032m of borrowing and £160.830m of treasury investments (this is set out in further detail at Appendix B). Forecast changes in these sums will be driven by changes to the Council's total capital financing requirement, driven in turn by the Council's capital programme. In line with the Plymouth Plan – a long-term strategy for the City, the Council has a large programme of investment to support economic growth and health and wellbeing in Plymouth. The financial impact of this investment programme is analysed in the tables below.

### 4.1. Estimates of Capital Expenditure

The Council's planned capital expenditure and financing forecast as at December 2025 is summarised in the table below. The forecast incorporates reprofiling assumptions for current and future years based on a trend analysis using actual information from previous years.

### This is how we will fund the investment needed to deliver the Plymouth Plan in each year of the MTFP period

Capital Expenditure and Financing	2025/26 Forecast £m	2026/27 Forecast £m	2027/28 Forecast £m	2028/29 Forecast £m	2029/30 Forecast £m
Forecast of in-year Capital Expenditure (General Fund only)	145.510	113.938	49.083	10.406	0.788
<b>Total Expenditure</b>	<b>145.510</b>	<b>113.938</b>	<b>49.083</b>	<b>10.406</b>	<b>0.788</b>
Capital Receipts	10.872	4.163	1.189	1.762	0.266
Grants and Contributions	80.751	58.094	17.209	0.295	0.296
Revenue	2.511	0.015	0.000	0.000	0.000
Borrowing	51.376	51.666	30.685	8.349	0.226
Leasing and PFI	0.000	0.000	0.000	0.000	0.00
<b>Total Financing</b>	<b>145.510</b>	<b>113.938</b>	<b>49.083</b>	<b>10.406</b>	<b>0.788</b>

## 4.2. Estimates of Capital Financing Requirement

The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. It is essentially the total amount of capital expenditure that has not yet been financed by grants, capital receipts or revenue contributions. The underlying need to borrow considers the borrowing required to finance historic capital investment as well as new borrowing required to finance forecast investment over the MTFP period. A key point is that this is an **accounting measure** and not the actual amount borrowed.

It reflects the theoretical level of debt needed to fund capital assets.

**This is the total past and planned capital expenditure we need to finance.**

Capital Financing Requirement	31 Mar 25 Actual £m	31 Mar 26 Forecast £m	31 Mar 27 Forecast £m	31 Mar 28 Forecast £m	31 Mar 29 Forecast £m
Forecast CFR (General Fund only)	869.464	900.920	960.562	998.685	1001.807
<b>Total CFR</b>	<b>869.464</b>	<b>900.920</b>	<b>960.562</b>	<b>998.685</b>	<b>1001.807</b>

The Council has an increasing CFR, which is forecast to rise by £100.887m over the next three years through the element of capital programme investment not externally financed by grants, capital receipts and contributions.

## 4.3. Gross Debt and the Capital Financing Requirement

In order to ensure that over the medium-term debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

Dedicated Schools Grant (DSG) deficits arise when spending on schools and high-needs provision exceeds the DSG allocation and are revenue in nature which will require the cashflow impact from the deficit to be financed either through financial reserves or additional borrowing. The council is following existing statutory guidance and regulations on DSG deficit accounting, with the statutory override in place until 2027–28; further guidance is expected in early 2026. In the meantime, borrowing forecasts below include provision for the Council's need to borrow to finance the DSG deficit.

The Treasury Management mid-year report presented to Audit & Governance committee on 18 November 2025 highlighted the impact of borrowing to finance the DSG deficit.

**This is how much we expect to borrow over the next three years**

Debt	31 Mar 25 Actual £m	31 Mar 26 Forecast £m	31 Mar 27 Forecast £m	31 Mar 28 Forecast £m	31 Mar 29 Forecast £m
Borrowing	702.532	798.295	935.714	1053.019	1053.502
Other long-term liabilities (including PFI liabilities & Finance Leases)	99.153	92.828	86.611	80.490	74.369
<b>Total Debt</b>	<b>801.685</b>	<b>891.123</b>	<b>1022.325</b>	<b>1133.509</b>	<b>1127.871</b>

The table below adjusts the borrowing figures above for the impact of the DSG deficit:

DSG Deficit	18.498	54.261	98.475	168.369	159.951
<b>Borrowing excluding DSG Deficit</b>	684.034	744.034	837.239	884.650	885.134

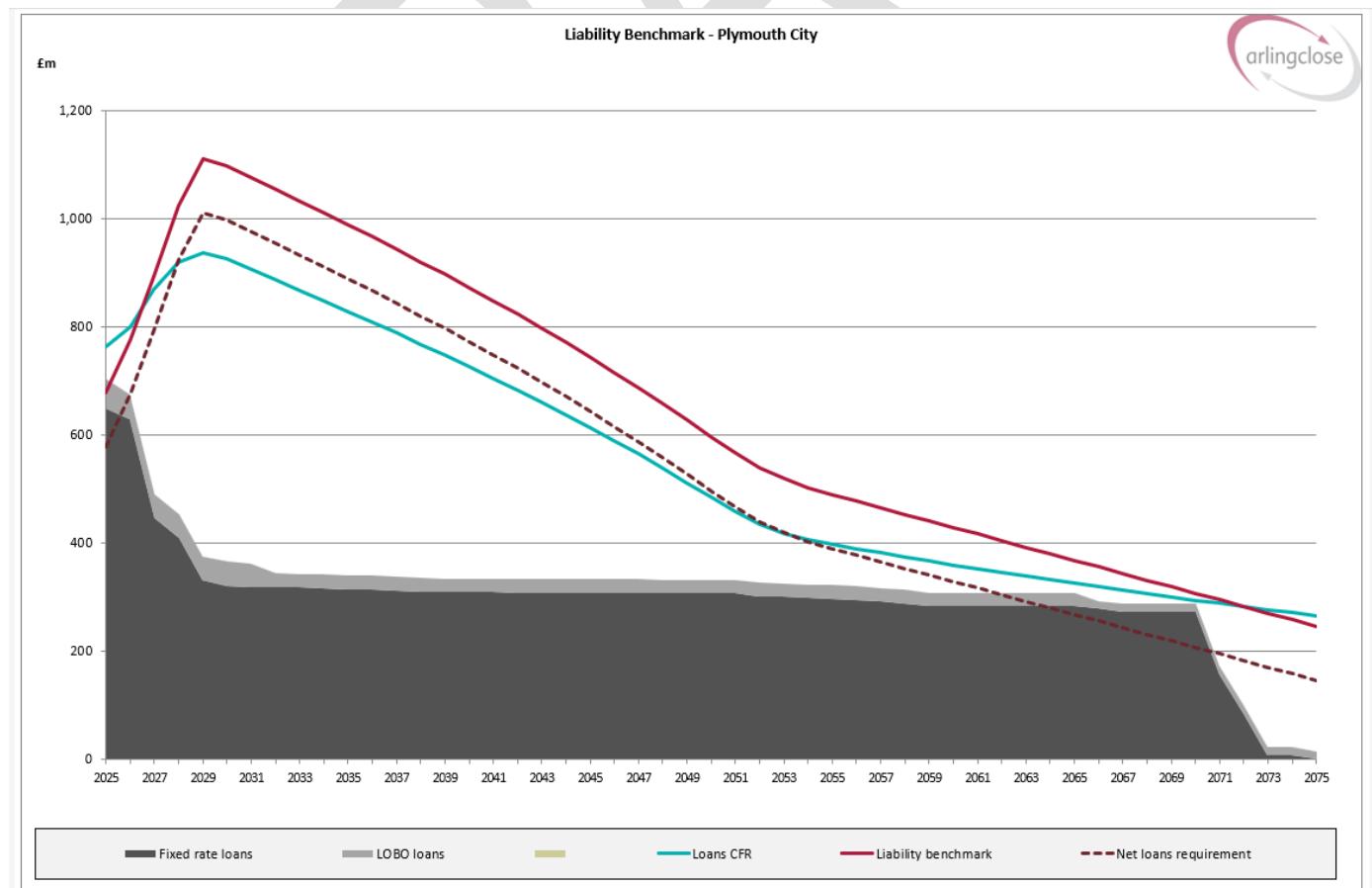
CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. The table above shows that excluding the impact of the DSG deficit borrowing, forecasts will be lower than CFR.

#### 4.4. Liability benchmark

The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

Following on from the medium-term forecasts in the tables above, the long-term liability benchmark assumes approved capital expenditure funded by borrowing across 5-year capital programme of £142.302m, minimum revenue provision on new capital expenditure based on an average 20- or 25-year asset life (as appropriate) and income, expenditure and reserves all increasing by inflation of 2.5% a year. The potential capital pipeline borrowing requirements are not included in the calculations of the liability benchmark shown in the chart below.

The liability benchmark chart demonstrates that the Council is likely to be a long-term borrower. On the basis of approved investment needs, the maturity structure of existing debt remains below the cumulative amount of external borrowing forecast for a long-term period, which will require the council to borrow more funds to meet its borrowing needs over an estimated 20-year period.



## SECTION 2: TREASURY MANAGEMENT STRATEGY

### 5. Borrowing Strategy & Borrowing Limits

As at 31 December 2025, Plymouth City Council held £748.7m of loans, an increase of £46.2m from 1 April 2025, as part of its strategy for funding previous years' capital programmes. Table 4.3 above show that the Council expects to borrow up to £788m by the end of the 2025/26 financial year. The Council may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed authorised limits agreed by the City Council, as set out in this report.

#### 5.1. Borrowing strategy

The Council's primary objective when borrowing money is to strike an appropriately low risk balance between securing low interest and fixing borrowing to obtain certainty of costs. The flexibility to renegotiate loans or to reschedule debt should the Council's long-term plans change is a secondary objective.

Given the context of increasing demand for statutory services and a challenging outlook for public finances and local government funding, Plymouth City Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. Short-term interest rates are currently higher than in the recent past but are expected to fall in the coming year and it is therefore likely to be more cost effective over the medium-term to either use internal resources, or to borrow short-term loans instead. The risks of this approach will be managed by keeping the Council's interest rate exposure within the limit set in the treasury management prudential indicators (set out in section 7 below), and through the use of PWLB Equal Instalment of Principal (EIP) repayment financing products, a strategy which has been recommended by the Council's Treasury Management advisors and approved by the Treasury Management Board.

By doing so, the City Council can reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The Council has taken the opportunity to refinance some of its short-term borrowing with longer-term fixed rate EIP borrowing from PWLB. This has reduced the Council's short-term borrowing and therefore reduced the interest rate risk (risk of interest rates rising).

The Council will continue to review its portfolio of borrowing and may refinance its debt dependant on the market conditions. The benefits of short-term borrowing will continue to be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Short term borrowing may be a cheaper option, but it could leave the Council exposed to refinancing risk, a combination of interest rate risk (the risk that rates will rise) and availability risk (the risk that no-one will lend to the Council). Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2026/27 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

The Council will reschedule or repay loans where this is expected to lead to an overall cost saving or a reduction in risk to reduce the overall long-term costs of the loan portfolio. The Council will only borrow from approved sources (set out in section 5.3 below). In its budget assumptions for 2026/27, the Council has assumed that new long-term loans will cost an average rate of 4.25%.

#### 5.2. Borrowing Limits: Maximum Total Debt

**We are required to set borrowing limits by law. Limits are set at affordable levels, with sufficient scope to fund our forecast capital programme.**

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). Usable reserves and working capital are the underlying resources available for investment, or to finance internal borrowing. The current strategy is not to borrow to the full underlying CFR, and to use working capital and reserves to offset an element of borrowing need.

CIPFA's *Prudential Code for Capital Finance in Local Authorities* requires Councils to set a maximum for total debt. This is the maximum the CFR is expected to reach at any time during the next three years.

After taking account of the councils known capital pipeline commitments, the Council expects to hold borrowing up to £936m in 2026/27. Including PFI and other long-term liabilities forecast at £87m, total borrowing must not exceed an **authorised limit** set by the Council of £1072m (which includes an allowance for short term cashflow borrowing requirements). Further detail on the authorised limit and other Prudential Indicators is set out in section 6 below.

The council will review the appropriateness and affordability of its capital programme and associated financing requirements and borrowing limits if there is a significant change in the balance of costs and income forecast in the Council's rolling Medium-Term Financial Plan. This Treasury Management Strategy has been developed in conjunction with a Capital Strategy and Medium-Term Financial Plan for the period 2026-29.

### 5.3. Sources of borrowing

The approved sources of long-term and short-term borrowing are set out in the table below.

#### These are the lenders we are able to use.

##### Sources of Borrowing

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- National Wealth Fund Ltd (formerly 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 Devon Local Government Pension Fund)
- Capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues and short term borrowing
- Any other counterparty that is recommended by the Council's TM advisors
- Capital Grant funders offering loans (eg SALIX)
- A Plymouth City Council bond or similar local financial instruments.

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 leaseback

The Council continues to investigate other sources of finance, such as local authority loans and bank loans that may be available at more favourable rates.

The Council has specific strategic issues to consider for some forms of borrowing, and our strategy for a selection of certain financing options is set out here.

#### 5.3.1. Lender's Option Borrower's Option loans (LOBOs)

#### The Council holds LOBO agreements, which were entered into under different market conditions. Where appropriate we will replace them with lower cost

The Authority holds £44m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost.

There have been a further two £5m calls in 2025/26 as more cost effective to repay compared to option of accepting new rates of 6.33% and 6.47% respectively. Opportunities to repay any future LOBO obligations will be considered when it can be demonstrated to be cost effective. A total £20m has been repaid in 2024/25 and 2025/26.

There are no further LOBO call in options during 2025/26, and one £5m LOBO call in on 3 September 2026 currently held at a 4.20%. If the option is exercised then the Authority will consider the option to repay LOBO loans to reduce refinancing risk in later years.

### 5.3.2. Municipal Bond Agency loans

#### The Municipal Bonds Agency may offer an alternative for short term borrowing

The UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any proposal for Plymouth City Council to borrow from the Municipal Bond Agency will be the subject of a separate report to full Council, and would require the agreement of the City Council.

### 5.3.3. Short-term and Variable Rate loans

These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. To address some of the interest rate risk the Council has entered into a rate swap arrangement with Santander PLC which covers the risk on any differential between the Sterling Overnight Index Average (SONIA) and a set interest rate. The twenty-year arrangement was entered into on 1 April 2020 and since July 2022 this has generated a financial benefit to the Council.

Other financial instruments may be used to manage interest rate or other risks in line with the Council's policy on the use of Financial Derivatives (see section 9.1 below).

## 5.4. Debt Rescheduling

The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. The recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.

The council will re-schedule debt if it reduces cost/risk or offers essential revenue saving options that are required to balance the revenue budget position.

## 6. Investment strategy and associated policies

### 6.1. Treasury Management Investment Strategy and Objectives

**This section sets out how we invest any surplus funds for cash management, and to manage short term interest rate risks**

The Council invests its money for three broad purposes:

- because it has surplus cash from its day-to-day activities, for example when income is received in advance of expenditure, or to mitigate medium term interest rate risks (known as **treasury management investments**),
- to support local public services by lending to or buying shares in other organisations (**service investments**), and
- to regenerate areas within the City of Plymouth or immediate surrounding economic area to encourage private investment and to create or retain local jobs (known in Plymouth City Council as '**Property Regeneration Fund**' **investments**).

This section focusses on the first category. Section 10 below focuses on the second and third of these categories and meets the requirements of statutory guidance issued in January 2018.

The Council typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds grants received in advance of future expenditure, and levels of reserves in order to manage risk. These activities, plus the timing of borrowing decisions, lead to a cash surplus which will be invested in accordance with the strategy and policies set out in this document. The balance of treasury investments is expected to fluctuate between £20m and £60m during the financial year 2026/27.

The CIPFA Code requires Plymouth City Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the City Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. Plymouth City Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing, as set out in paragraph 6.2 below.

As demonstrated by the liability benchmark (see section 4.4 above), the Council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments. The majority of the cash held by the council for working capital purposes is currently invested in short-term money market funds which offer lower rates but allow for immediate withdrawal.

The Council holds investments in diversified managed funds (defined as 'strategic pooled funds' in table 6.2 below) which offer a higher yielding alternative to short-term money market funds. The CIPFA Code no longer permits local authorities to both borrow and invest long-term for cash flow management, however, decisions to invest in these funds were taken some time ago under a different policy framework. The CIPFA Code does permit long-term investments to be held for treasury risk management purposes, including to manage interest rate risk by investing sums borrowed in advance for the capital programme for up to three years; to manage inflation risk by investing usable reserves in instruments whose value rises with inflation; and to manage price risk by adding diversification to a strategic pooled fund portfolio. Accordingly, the Council's historic portfolio

of strategic pooled funds will be retained to diversify risk into different sectors and to manage medium term interest rate risk. The Council currently holds £55m across a number of such funds (CCLA Property Fund, CCLA Better World Cautious Fund, Schroder's Income Maximiser and Fidelity Enhanced Income Fund); these funds have no defined maturity date but can be either withdrawn after a notice period or sold on an exchange. Their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly. These investments have out-performed other investment returns through both annual dividends received quarterly in arrears and the fair value of the investment as at 31 December 2025 exceeding the value of the original investment.

In its budget assumptions for 2026/27, the Council has assumed that investments will return at an average interest rate of **3.75%**. This interest rate excludes returns through capital appreciation, where the council is currently in a positive position. However, the council will be reviewing its investments during 2026/27 to ensure that holding funds remains appropriate.

## 6.2. Environmental, social and governance investment policy

Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Authority's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Authority will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

## 6.3. Treasury Management Investment business models and strategic pooled funds

Under the new IFRS 9 accounting standard, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost. The Government have recently extended the backstop for forthcoming changes to the accounting treatment for certain strategic pooled fund investments; however, the changes (which will take effect from April 2029) will affect how the Council's pooled fund investments impact on the general fund revenue position. As noted in paragraph 6.1 above, the pooled fund investments will be reviewed ahead of the changes taking effect, and the council's approach to pooled investments may change as a result.

## 6.4. Security Risk and Counter Party policies

### 6.4.1. Sector guidance, approved counterparties and investment limits

**These are the limits we use for making individual investments.**

**They are based on advice from Arlingclose.**

The Council may invest its surplus funds with any of the counterparty types in table 6.2 below, subject to the limits shown.

Table 6.2: Investment limits	Time Limit	Counterparty Limit	Sector limit
The UK Government	3 years	Unlimited	n/a
Local authorities & other government entities	3 years	£25m	Unlimited
Secured investments *	3 years	£25m	Unlimited
Banks (unsecured) *	13 months	£10m	Unlimited

Table 6.2: Investment limits	Time Limit	Counterparty Limit	Sector limit
Building Societies (unsecured) *	13 months	£5m	£10m
Registered providers (unsecured) *	3 years	£5m	£10m
Money Market Funds *	n/a	£15m	Unlimited
Strategic pooled funds	n/a	£25m	£60m
Loans and investments to unrated corporates	n/a	£5m	£20m
Other investments, unrated investments in equity, quasi-equity, debt or otherwise	n/a	£5m	£20m

\* See paragraph 6.2.4.1 below for specific credit risk management procedures applying to these sectors.

When considering investment limits in the table above, the Council's treasury management team will also refer to the credit ratings of the individual organisations to make the final assessment, in consultation with the Council's professional advisors where appropriate. Limits will also be placed on fund managers, investments in brokers' nominee accounts and industry sectors as set out in the further guidance below. The Council does not invest in non-Sterling currencies, though may make sterling investments in banks domiciled outside the UK. The Council's treasury management team will also refer to the detailed sector guidance set out below for specific sectors.

#### UK Government:

These are sterling-denominated investments with or explicitly guaranteed by the UK Government, including the Debt Management Account Deposit Facility, treasury bills and gilts. These are deemed to be zero credit risk due to the government's ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

#### Local authorities and other government entities:

These are loans to, and bonds and bills issued or guaranteed by, other national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk.

#### Secured investments:

These are investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

#### Investments in banks and building societies (unsecured), including operational bank accounts:

These are investments in accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. 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 AAA- 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 should 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 Council maintaining operational continuity.

*Investments in registered providers (unsecured):*

These are loans to, 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). As providers of public services, they retain the likelihood of receiving government support if needed.

*Money market funds:*

These are pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. 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:*

These are bond, equity and property funds, including exchange traded funds, that offer enhanced returns over the longer term but are more volatile in the short term. Strategic pooled funds allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but can be either withdrawn after a notice period or sold on an exchange, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly. As noted in paragraph 6.1 above, the Council currently holds £55m across a number of such funds.

*Real estate investment trusts:*

Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with 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. Investments in REIT shares cannot be withdrawn but can be sold on the stock market to another investor.

*Other investments:*

This category covers treasury investments not listed above, for example unsecured corporate bonds and unsecured loans to companies and universities. Non-bank companies cannot be bailed-in but can become insolvent placing the Council's investment at risk.

#### **6.4.2. Risk assessment and credit ratings**

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

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") 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

##### **6.4.2.1. Sector-specific credit rating policies**

Treasury investments in the sectors marked with an asterisk in table 6.2 above will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

#### 6.4.2.2. *Other considerations on the security of investments*

When assessing the security risk of investments, the Council's treasury management team will also consider the following factors:

- For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £10m per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.
- The Council defines "high credit quality" organisations and securities as those having a credit rating of [A-] or higher that are domiciled in the UK or a foreign country with a sovereign rating of [AA+] or higher. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of [A-] or higher or if unrated an assessment will be made from the financial information available.
- 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 and 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.
- 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, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

#### 6.4.3. **Reputational considerations**

The Council is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation. This reputational risk will be taken into account when making investment decisions.

### 6.5. **Liquidity Management**

Plymouth City Council uses a purpose-built excel cash flow forecasting tool to determine the maximum periods for which funds may prudently be committed. The forecast is compiled on a prudent basis highlighting when borrowing needs to be secured to minimise the risk of the Council being forced into unplanned borrowing under unfavourable terms to meet its financial commitments. Limits on longer term investments are set with reference to the Council's medium-term financial plan and cashflow forecast.

The City Council will spread its liquid cash over at least three providers (e.g. bank accounts and money market funds), of which at least two will be UK domiciled, to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

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## 7. Treasury Management and Prudential Indicators

### 7.1. 2026/27 Prudential Indicators

The Local Government Act 2003 requires the Council to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year. These indicators will be used by the Council to govern its Capital Investment decisions alongside the Local Policy Framework and Capital Strategy Principles set out in the Capital Strategy [link in final document].

#### 7.1.1. Operational Boundary for External Debt

**This indicator provides some flexibility to allow borrowing for day-to-day cashflow requirements.**

The operational boundary is based on the Council's estimate of most likely, (i.e. prudent, but not worst case) scenario for external debt. The focus of the operational boundary will be on the Council's external debt shown on the first table below however the tables also include other long-term liabilities (such as PFI and finance lease debt), which for accounting purposes and to comply with the CIPFA code are included in the table below.

Operational Boundary	31 Mar 25 Actual £m	31 Mar 26 Forecast £m	31 Mar 27 Forecast £m	31 Mar 28 Forecast £m	31 Mar 29 Forecast £m
Borrowing	702.532	798.295	935.714	1053.019	1053.502
Other long term liabilities	99.153	92.828	86.611	80.490	74.369
<b>Total liabilities</b>	<b>801.685</b>	<b>891.123</b>	<b>1022.325</b>	<b>1133.509</b>	<b>1127.871</b>

#### 7.1.2. Authorised Limit for External Debt

**This is the absolute maximum of debt approved by the City Council**

The Authorised Limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003 and represents the maximum amount of debt that the Council can legally owe. The Authorised Limit provides headroom over and above the operational boundary for more unusual cash movements.

Authorised Limit	31 Mar 25 Actual £m	31 Mar 26 Forecast £m	31 Mar 27 Forecast £m	31 Mar 28 Forecast £m	31 Mar 29 Forecast £m
Borrowing	702.532	843.295	980.714	1098.019	1098.502
Other long term liabilities	99.153	97.828	91.611	85.490	79.369
<b>Total liabilities</b>	<b>801.685</b>	<b>941.123</b>	<b>1072.325</b>	<b>1183.509</b>	<b>1177.871</b>

### 7.1.3. Ratio of Financing Costs to Net Revenue Stream

#### This measure demonstrates that our proposed borrowing is affordable.

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income. For the 2026/27 Treasury Management Strategy we are setting out two separate indicators. The first indicator uses the statutory definition prescribed by the CIPFA Prudential Code, and is set out in the first table below (noting the impact of the DSG deficit) for the 2024/25, 2025/26, 2026/27 and subsequent two financial years. The second indicator, set out in the second table below, uses a locally-developed definition which aligns with the Council's Capital Strategy policy framework. This is being adopted from 2026/27 onwards, and so is set out for that financial year and the subsequent two years only (again, the impact of the DSG deficit is noted).

Ratio of Financing Costs to Net Revenue Stream (Statutory indicator)	2024/25 Actual	2025/26 Forecast	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Financing costs (£m) incl DSG deficit borrowing costs	43.480	47.822	53.999	62.037	75.098
Proportion of net revenue stream – all financing costs*	18.4%	18.9%	17.0%	18.9%	22.0%
Note: element of financing costs above relating to DSG deficit	<0.5%	0.5%	0.9%	1.5%	4.4%

\* Note that the statutory definition for this indicator sets out a requirement that all financing costs are included. The table above therefore includes financing costs for income-generating assets that are funded by income additional to the Net Revenue Budget, DSG Deficit financing costs, and notional financing costs assigned to long term liabilities such as PFI and Finance Leases within the calculation.

Ratio of Financing Costs to Net Revenue Stream (Local indicator)	2024/25 Actual	2025/26 Forecast	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Core financing costs (£m)*			33.339	37.529	40.792
Proportion of net revenue stream – core financing costs			10.5%	11.4%	11.9%
Note: Capital Strategy: Local Policy Framework Upper Threshold			12.5%	12.5%	12.5%
Note: additional financing costs relating to DSG deficit			0.9%	1.5%	4.4%

\* Core financing costs are defined in the Council's Capital Strategy. They include all elements of the Council's Capital Financing budget (including Service Borrowing where this has not been utilised to finance income-generating assets), but excludes the costs of financing the DSG deficit, and the costs of financing income-generating assets.

### 7.1.4. Adoption of the CIPFA Treasury Management Code

The Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* in April 2002. It fully complies with the Code's recommendations.

## 7.2. Other Treasury Management Indicators

In addition to the statutory Prudential Code indicators set out in section 7.1 above, the Council measures and manages its exposures to treasury management risks using the following non-statutory indicators.

### 7.2.1. Security

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.

	Target
Portfolio average credit rating	A

### 7.2.2. Liquidity

The Council does not keep large amounts of cash in call accounts so that it reduces the cost of carrying excess cash. To mitigate the liquidity risk of not having cash available to meet unexpected payments the Council has access to borrow additional, same day, cash from other local authorities.

### 7.2.3. Interest Rate Exposures

This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed will be:

	2025/26	2026/27	2027/28	2028/29
Upper limit on fixed interest rate exposure	100%	100%	100%	100%
Upper limit on variable interest rate exposure	25%	20%	15%	15%

Fixed rate investments and borrowings are those where the rate of interest is fixed for more than 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

### 7.2.4. Maturity Structure of Borrowing

This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing for different time periods will be:

Time period	Upper	Lower
Under 12 months	35%	10%
12 months and within 24 months	25%	5%
24 months and within 5 years	25%	5%
5 years and within 10 years	15%	0%
10 years and above	45%	25%

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.

### 7.2.5. Principal Sums Invested for Periods Longer than 365 days

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 limits on the long-term principal sum invested to final maturities beyond the period end will be:

	2025/26	2026/27	2027/28
Limit on principal invested beyond one year	£10m	£10m	£10m

## 8. Alternative approaches considered

Government guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Section 151 Officer, having consulted the Cabinet Member for Finance, 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 listed below.

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 over the medium term	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

## 9. Other Treasury Management policies and considerations

There are a number of additional items that the Council is obliged by CIPFA and government guidance to include in its Treasury Management Strategy; these and other matters considered appropriate are set out in this section.

### 9.1. Policy on the use of Financial Derivatives

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). Other than the interest rate swap arrangement detailed in section 5.3.3 above, the Council has no further plans to make use of derivative instruments at the present time.

However, the Council does not discount the possible use of these in the future dependent on the existence of appropriate operating conditions, the acquisition and analysis of specialist advice and consultation with appropriate stakeholders. The Authority 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 Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account 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.

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 calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit.

This approach is in line with the CIPFA Code, which encourages the Council to seek external advice and to consider such advice before entering into financial derivatives to ensure that it fully understands the implications.

## **9.2. Markets in Financial Instruments Directive**

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 Section 151 Officer believes this to be the most appropriate status.

## **9.3. Policy on Investment of Money Borrowed in Advance of Need**

The Council may, from time to time, borrow in advance of need, where this is expected to provide the best long-term value for money for the Council's Treasury Management activities within the year. Since amounts borrowed will be invested until spent, the Council is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Council's overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit. The maximum period between borrowing and expenditure is expected to be less than one year, although the Council is not required to link particular loans with particular items of expenditure.

## **9.4. Skills, staff development and professional advice**

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Service Director of Finance is a qualified accountant with over 25 years' experience. Within the accountancy and treasury management function, the Council employs staff with professional finance qualifications and supports junior staff to study towards relevant qualifications.

The training and development needs of the Council's treasury management staff are assessed every twelve months as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change. Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA.

Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

## **9.5. Treasury Management Practices, Principles and Schedules guidance**

A Treasury Management Practices, Principles and Schedules document is reviewed and revised annually, and forms the operational guidance for the Council's Treasury Management function. It is subservient to this

Treasury Management Strategy and sets out the responsibilities and duties of members and officers, allowing a framework for reporting and decision making on all aspects of treasury management. The Audit Committee is required to approve the Treasury Management Practices, Principles and Schedules document each year under authority delegated by the City Council.

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## SECTION 3: NON-TREASURY INVESTMENTS & MINIMUM REVENUE PROVISION STATEMENT

### 10. Non-Treasury Management Investment Strategy

#### 10.1. Introduction and scope

Local Authorities invest money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**).
- to support local public services by lending to or buying shares in other organisations (**service investments**), and
- to earn investment income (known as **commercial investments** where this is the main purpose).

This investment strategy meets the requirements of statutory guidance issued by the government in January 2018 and focuses on the second and third of these categories.

The statutory guidance defines investments as “all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios.” The Authority interprets this to exclude (a) trade receivables which meet the accounting definition of financial assets but are not investments in the everyday sense of the word and (b) property held partially to generate a profit but primarily for the provision of local public services. This aligns the Authority’s definition of an investment with that in the 2021 edition of the CIPFA Prudential Code, a more recent piece of statutory guidance.

#### 10.1.1. Treasury Management Investments

The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is largely used to offset the need to borrow for capital investment, or invested to support treasury management activities. The balance of treasury management investments is expected to fluctuate between £40m and £60m during the 2026/27 financial year.

**Contribution:** The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.

Full details of the Council’s policies and its plan for 2026/27 for treasury management investments are covered in Sections 1 and 2 above.

#### 10.1.2. Service Investments

Plymouth City Council supports local public services and economic growth through making loan investments. Further details on these Non-Treasury Management investments are set out in section 10.2 below. The Council does not expect to make any new investments in shares for the purpose of supporting local public services or promoting local economic growth during 2026/27, however section 10.3 below sets out some considerations as a guide for potential shareholder investments that the Council may wish to consider to further its organisational public service objectives.

The Council has interests in a number of companies established as wholly-owned or joint venture vehicles for the delivery of various activities that support Plymouth City Council's objectives; from time to time the Council may establish new Companies or Joint Venture structures for particular purposes. Whilst loans or financial investments in these companies would be considered to fall within the scope of this strategy, non-financial interests (e.g. control exercised through service contracts or board positions, contributions of leasehold or freehold property interests, licences or rights to use assets, or other contributions in kind) are not considered to be Non-Treasury Investments and therefore fall outside of the scope of this document. The Council discloses its interests in companies through its group accounts in accordance with sector accounting guidance; company interests are governed through the specific contractual terms applicable to each individual arrangement and through a wider 'family of companies' governance structure within the Council.

#### **10.1.3. The Property and Regeneration Fund**

At Plymouth City Council, no new investments are entered into for the sole purpose of earning investment income – where the Council has surplus funds over and above working capital needs, these are used to offset debt financing requirements through 'internal' borrowing. However, property investments are made to regenerate areas within the City or immediate economic area to encourage private investment and to create or retain jobs – a portfolio of property known at the City Council as the Property and Regeneration Fund (PRF). These investments generate a yield and (for affordability purposes and to manage financial risks), PRF investments are appraised on a commercial basis as well as for regeneration, economic development and place-shaping value. As such, the Property and Regeneration Fund is considered to fall within the scope of this Non-Treasury Investment Strategy, even though the primary purpose of the portfolio is not to earn investment income. Further detail on the Property and Regeneration Fund is set out in section 10.4 below.

#### **10.2. Service Investments - Loans**

The Council may lend money to its subsidiaries, its suppliers, local businesses, local charities, registered social housing providers or other organisations to support local public services and / or public service objectives. For example, the Council has given a loan to Plymouth Community Energy to support the construction of the solar energy farm at Ernesettle, which in turn supports the Council's Climate Emergency Strategy objectives.

The vast majority of such loan investments are low value; however, taking a proportionate approach commensurate with the value of any loan the Council will ensure that an appropriate due diligence exercise is undertaken and adequate security is in place. All loans are agreed by the Section 151 Officer and will be subject to close, regular monitoring. Long-term loans are treated as capital expenditure for accounting purposes, where the applicable criteria are met.

The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. Where appropriate and proportionate, the Council will take security against assets to mitigate the risk of default.

Accounting standards require the Council to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Council's statement of accounts will be shown net of this loss allowance. However, the Council makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

The Council assesses and mitigates the risk of loss before entering into and whilst holding service loans by:

- I. reviewing the financial statements of the organisation and reviewing the organisation's business plans and future projections and future cash flows;

2. assessing what security is available to secure the loan and if necessary carry out a professional valuation of any property;
3. using external advisors to provide professional information such as due diligence requirements;
4. the loan agreements are reviewed by our legal team to ensure that they are legally compliant and includes any safeguards for the Council;
5. if an organisation has a credit rating we will carry out a credit check to assess risk;
6. taking a proportionate approach, the rate of interest charged on any loan will reflect the risk of the project and potential for default;
7. subsidy control rules are taken into account before a loan can be considered.

#### **10.2.1.      Loan Commitments and Financial Guarantees**

Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Council and are appraised and risk-assessed through a similar process to service loans.

#### **10.3.      Service Investment - shares**

The Council may make financial investments through the purchase of shares of its subsidiaries, its suppliers, and local businesses to support local public services and stimulate local economic growth. The Council does not currently hold any material shareholding investments, but should an opportunity arise to support Plymouth City Council's objectives through an investment in shareholdings the guidance in this paragraph will apply.

**Security:** One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. The individual and absolute level of financial investment made in shareholdings should be considered with regard to this security risk, with limits set with reference to the Council's level of available general reserves. All financial shareholding investments should be agreed by the Section 151 Officer and should be subject to close, regular monitoring.

**Risk assessment:** The Council would assess the risk of loss before entering into and whilst holding shares by reviewing the history of the organisation; its financial statements and its share values. The Council will also look at business plans, future cash flows and any other market information that may affect the organisation.

**Liquidity:** The Council covers its liquidity for working capital and cash flow by holding cash in its Money Market Fund and being able to borrow short term loans from other local authorities. Shares of this type should not be considered to be a suitable investment for managing liquidity risk and should be appraised accordingly, with regard to the Council's liquid Treasury Management investments and cashflow forecast.

#### **10.4.      Property and Regeneration Fund**

From 1 April 2021 the Council ceased to invest in commercial property where the investment decision was based on a primary objective of generating income. Since this date, the Council has only invested in property where the main purposes of such investment are to regenerate areas of the City, encourage private investment and / or to create or retain local jobs. Some legacy commercial property assets have been retained within a broader portfolio where these assets were purchased prior to April 2021, and where best value would not have been obtained by a disposal of the asset in the period following April 2021. These legacy commercial property assets are kept under review as a potential source of capital financing.

Over time, a portfolio of property investments has developed, known within the City Council as the Property and Regeneration Fund. This portfolio provides a modest return to the council which can help to support local public services. However, the primary objective of the portfolio is to support place-shaping and economic development objectives. The table below sets out the net yield achieved in the last full financial year, and forecast for future years. The Council uses an internal mechanism (known internally as 'Service Borrowing') to recover repayment and financing costs (including a provision for MRP) from the gross income; provision is also made for contributions to reserves held to mitigate the risk of voids and to provide a fund for capital investment. In this way, Property and Regeneration Fund assets are funded by rental income - borrowing is not directly taken out against each property but is managed through our Treasury Management function. The net income set out in the table below is the sum after these deductions.

	2024/25 actual £m	2025/26 forecast £m	2026/27 budget £m	2027/28 budget £m	2028/29 budget £m
Total net income from service & commercial investments income excl financing costs	(11.281)	(12.443)	(12.477)	(12.609)	(13.287)
Proportion of net revenue stream	4.77%	4.92%	3.92%	3.83%	3.77%

#### 10.4.1. Security

In accordance with government guidance, the Council considers a property investment to be secure if its accounting valuation is at or higher than its development / acquisition cost including taxes and transaction costs. A fair value assessment of the Council's Property and Regeneration property portfolio is undertaken regularly. Adverse market conditions have impacted on the valuation of non-residential property, with a downturn in the market driven by higher interest rates, post-COVID social trends and broader economic circumstances. The Council's Property and Regeneration portfolio is held to provide long-term financial and non-financial benefits for the City Council and the wider community and as such, the Council anticipates that it will continue to hold assets where fair value has reduced below development / acquisition costs until market conditions recover and valuations improve. The Council mitigates against longer term impairments to this portfolio by setting aside funds for future capital investment, and regular reviews of lease agreements.

The Council assesses the risk of loss before entering into and whilst holding property investments by carrying out the evaluation process described in paragraph 10.4.4 below.

#### 10.4.2. Liquidity

Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice, and can take a considerable period to sell in certain market conditions. As noted above, national market factors for the commercial property sector may mean that the Council would not recover its investment value of property investment is sold during a downturn period. Accordingly, the council considers the Property Regeneration Fund to be a long-term investment and makes alternative arrangements to cover its short and medium-term cash requirements. Because borrowing for Property and Regeneration Fund assets is financed through the income generated by the asset (through the council's internal Service Borrowing mechanism), the first call on any proceeds of sale would be to repay any outstanding service borrowing due, rather than to provide working capital.

#### 10.4.3. Proportionality – reliance on net revenue

The Council uses the surplus generated by Property Regeneration Fund to provide services for the city and to achieve a balanced revenue budget. The table below shows the extent to which the Council's revenue budget is dependent on achieving the expected net profit from investments over 2026/27 financial year. It shows that the Council is not over-reliant on this income stream in the context of its overall resources.

	2026/27 Forecast
Net total revenue resources (estimate)	£318.075m
Net Investment income excl financing costs	£12.477m
Proportion	3.92%

#### 10.4.4. Investment Evaluation Process for the Property and Regeneration Fund

Prior to any acquisition or development of a Property and Regeneration fund asset, the Council conducts a due diligence and appraisal evaluation processes, following the steps set out below:

1. Proposed development opportunities are reviewed by the Council's Land and Property team (in consultation with officers from the Economic Development team) in areas of the City which require redevelopment or regeneration of brown and green field sites or areas where the Council want to stimulate inward private investment and to create or retain local jobs. A report on development opportunities is prepared by suitably qualified and experienced in-house MRICS (Member of the Royal Institute of Chartered Surveyors) professionals.
2. Prospective developments are evaluated against a set of key criteria. An assessment is produced, highlighting matters such as tenant covenant strength, lease length and location, and economic development value in a transparent and consistent format, to support clear scrutiny and decisions.
3. The assessment provides a basis for scoring and weighting risk and benefits, to support the analysis of potential development / acquisition and qualify overall suitability for inclusion in the portfolio. The score is not an absolute threshold but helps to guide decisions.
4. To ensure arms-length objectivity, external agents provide professional market analysis, data and advice to support the evaluation and internal reporting process.
5. Since tenant default is a significant threat to the performance of the property investment financial checks are made on any proposed tenants. This is augmented by additional internal assessment of tenants' covenant and likely future performance.
6. With all the additional information a detailed model is produced. The model is tailored for each prospective development, by including items such as future demand, yield, cash flows; rental movement, optimal holding periods for the property and data to support the regeneration and job creation to cover the cost modelling. Provision is made within financial modelling for capital investment and an allowance for voids.
7. If a decision is made to proceed, in-house surveyors lead negotiations, via the introducing/retained external agents, who are professional property firms. At this stage, two key activities are commissioned
  - A valuation, in accordance with the RICS Red Book, Professional Valuation Standards, is produced to inform potential acquisition cost. This valuation is used as a baseline for fair value assessments.
  - A Building Survey report is produced, as part of the proposed development, including preparation of a Site Environmental Assessment and preparation of a Reinstatement Cost Assessment for insurance purposes.

8. The above is reviewed by the Asset Portfolio Manager as an experienced in-house MRICS (Member of the Royal Institute of Chartered Surveyors) professional, with support from the internal multi-disciplinary property teams, for final decision by the Head of Land and Property on whether to proceed. Acquisitions are subject to the governance process set out in section 10.4.5 below as well as the Council's standard internal control framework.
9. The Head of Land and Property Projects receives regular updates on market activity, trends, forecasts and occupier activity from RICS firms and in-house surveyors to support the decision process.

#### **10.4.5. Property and Regeneration Fund Governance**

Clear, robust and transparent governance is critical to making sound decisions (with an appropriate level of due diligence and scrutiny) and meeting statutory guidance. It is also important to ensure any decision process retains fluidity, so officers are empowered to respond promptly to changes in the market. For example, if there is a commercial company failure in the city the Council would need to be able to respond quickly to help retain local jobs and look for alternative purchasers.

The Council's power to acquire or dispose of land is vested, under delegation, in the Head of Land and Property and where the land is purchased through the Property and Regeneration Fund a proposal is presented to the Officers and Members with a recommendation for authorisation as required by Leader, Legal and the Section 151 Officer. The Property and Regeneration Fund is governed by an internal joint officer and member board, which regularly reviews the performance of the portfolio.

#### **10.4.6. Skills, staff development and professional advice**

The Council employs professionally qualified and experienced staff in senior positions with responsibility for valuations, acquisitions and disposals and investment appraisals relating to the Property Regeneration Fund. Within the council's land and property function, the Council employs staff with professional surveying qualifications; the Head of Land and Property is a RICS chartered surveyor. The development needs of staff in the Land and Property function are assessed every twelve months as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change. Staff regularly attend training courses and other professional development opportunities.

Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Head of Land and Property and the land and property team receive regular updates on market activity, trends, forecasts and occupier activity from RICS firms, as well as knowledge from in-house surveyors, all of which is used to support decisions relating to the portfolio.

## II. Annual Minimum Revenue Provision Statement 2026/27

Where the Authority finances capital expenditure by 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 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. Plymouth City Council's Minimum Revenue Position statement is set out in this section, and complies with the most recent (April 2024) guidance.

### II.I. Minimum Revenue Position Policy

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. Plymouth City Council adopts the following approach in calculating MRP:

- The MRP payment is funded from revenue with an option that part or all of the payment could be funded from capital receipts to repay debt. MRP will commence in the financial year following the asset coming into use or after purchase.
- For capital expenditure incurred before 1st April 2008, and for supported capital expenditure incurred on or before that date, MRP will be charged on an annuity basis over 50 years, incorporating an "Adjustment A" calculated in accordance with the guidance.
- 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 with an annual interest rate 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 (including the council's Capitalisation Direction) or direction will be charged over 20 years.
- 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 7<sup>th</sup> 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.

## 11.2. 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.

The capital receipt proceeds of sale from legacy investment properties, assets held within the Property and Regeneration Fund, and other applicable assets will be used to repay the outstanding Service Borrowing finance for that property before any balance of capital receipts is available for repay debt or to finance other capital projects.

## Appendix A - Arlingclose Economic and Interest Rate Forecast December 2025

### Underlying assumptions:

- The Bank of England duly delivered on expectations for a December rate cut, but, despite softer economic data over the past two weeks, the minutes highlighted increased caution surrounding both the inflation outlook and the speed of future easing. With a close vote of 5-4 in favour of a rate reduction, this suggests that the bar for further monetary easing may be higher than previously thought despite the possibility of the CPI rate falling to target in 2026.
- Budget policies and base effects will mechanically reduce the CPI rate in 2026, on top of the downward pressure arising from soft economic growth and the looser labour market. However, many policymakers appear concerned that household and business inflation and pricing expectations are proving sticky following recent bouts of high price and wage growth, which may allow underlying inflationary pressure to remain elevated. While, the Bank's measure of household expectations ticked lower in December, it remains above levels consistent with the 2% target at 3.5%.
- While policymakers hold valid concerns, these appear somewhat out of line with current conditions; CPI inflation fell to 3.2% in November, private sector wage growth continued to ease amid the highest unemployment rate since the pandemic, and the economy contracted in October after barely growing in Q3. Business surveys pointed to marginally stronger activity and pricing intentions in December but also suggested that the pre-Budget malaise was not temporary. These data are the latest in a trend suggesting challenging economic conditions are feeding into price and wage setting.
- Risks to the growth and inflation outlook lie to the downside, which may ultimately deliver lower Bank Rate than our central case. However, the minutes suggest that the bar to further rate cuts beyond 3.25% is higher and the near-term upside risks to our Bank Rate forecast have increased. Having said that, we believe inflation expectations will naturally decline alongside headline inflation rates.
- Investors appear to have given the UK government some breathing space following the Budget, with long-term yields continuing to trade at slightly lower levels than in late summer/early autumn. Even so, sustained heavy borrowing across advanced economies, the DMO's move towards issuing more short-dated gilts and lingering doubts about the government's fiscal plans will keep short to medium yields above the levels implied by interest rate expectations alone.

### Forecast:

- In line with Arlingclose's long-held forecast, Bank Rate was cut to 3.75% in December.
- Continuing disinflation, rising unemployment, softening wage growth and low confidence suggests that monetary policy will continue to be loosened.
- Arlingclose expects Bank Rate to be cut to 3.25% by middle of 2026. However, near-term upside risks to the forecast have increased.
- Medium and long-term gilt yields continue to incorporate premia for UK government credibility, global uncertainty and significant issuance. These issues may not be resolved quickly and we expect yields to remain higher

	Current	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
<b>Official Bank Rate</b>													
Upside risk	0.00	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
<b>Central Case</b>	<b>3.75</b>	<b>3.50</b>	<b>3.25</b>										
Downside risk	0.00	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
<b>3-month money market rate</b>													
Upside risk	0.00	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
<b>Central Case</b>	<b>3.82</b>	<b>3.55</b>	<b>3.30</b>	<b>3.35</b>	<b>3.35</b>	<b>3.35</b>	<b>3.35</b>						
Downside risk	0.00	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
<b>5yr gilt yield</b>													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
<b>Central Case</b>	<b>3.96</b>	<b>3.85</b>	<b>3.80</b>	<b>3.75</b>	<b>3.75</b>	<b>3.75</b>	<b>3.75</b>	<b>3.75</b>	<b>3.75</b>	<b>3.80</b>	<b>3.80</b>	<b>3.80</b>	<b>3.80</b>
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
<b>10yr gilt yield</b>													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
<b>Central Case</b>	<b>4.52</b>	<b>4.40</b>	<b>4.35</b>	<b>4.30</b>	<b>4.30</b>	<b>4.30</b>	<b>4.30</b>	<b>4.30</b>	<b>4.30</b>	<b>4.35</b>	<b>4.35</b>	<b>4.35</b>	<b>4.35</b>
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
<b>20yr gilt yield</b>													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
<b>Central Case</b>	<b>5.16</b>	<b>5.00</b>	<b>4.95</b>	<b>4.90</b>	<b>4.90</b>	<b>4.90</b>	<b>4.90</b>	<b>4.90</b>	<b>4.90</b>	<b>4.95</b>	<b>4.95</b>	<b>4.95</b>	<b>4.95</b>
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
<b>50yr gilt yield</b>													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
<b>Central Case</b>	<b>4.74</b>	<b>4.65</b>	<b>4.60</b>	<b>4.65</b>	<b>4.65</b>	<b>4.65</b>	<b>4.65</b>						
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85

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%

## Appendix B - Existing Investment and Debt Portfolio Position

	31 Dec 2025 Actual Portfolio £m	31 Dec 2025 Average Rate %
PWLB – Fixed Rate	561.7	3.40
Short-term borrowing	125.0	4.35
LOBO Loans	44.0	4.50
Long Term Borrowing	18.0	4.43
<b>Total borrowing</b>	<b>748.7</b>	<b>3.65</b>
Short-term Money Market funds	52.3	3.89
Other Pooled Funds	53.9	5.21
Cash and cash equivalents	0.5	1.25
<b>Total investments</b>	<b>106.7</b>	<b>4.52</b>
<b>Net borrowing</b>	<b>642.0</b>	

## Appendix C – Provisional Treasury Management Budget 2026/27

Position at 31 December 2025	2025/26 Budget	2025/26 Latest Forecast	Forecast variance	2026/27 Provisional Budget
	£m	£m	£m	£m
LOBO and other long term loans	3.128	2.803	(0.325)	2.769
PWLB (Public Works Loan Board)	20.136	19.750	(0.386)	22.876
Temporary loans	0.923	2.383	1.460	2.750
Other Interest and charges	0.812	0.700	(0.112)	0.250
Collateral Interest	1.324	1.249	(0.075)	1.260
Recharge to Departments for Unsupported Borrowing	(19.581)	(19.508)	0.073	(19.963)
<b>Total Interest Payable</b>	<b>6.742</b>	<b>7.377</b>	<b>0.635</b>	<b>9.942</b>
Pool Funds	(2.611)	(2.817)	(0.206)	(2.750)
Money Market Fund	(1.500)	(2.624)	(1.124)	(2.250)
Other Interest	(0.431)	(0.416)	0.015	(0.774)
<b>Total Interest Receivable</b>	<b>(4.542)</b>	<b>(5.857)</b>	<b>(1.315)</b>	<b>(5.774)</b>
Other Payments/Bank Charges	0.552	0.634	0.082	0.164
Debt Management	0.160	0.160	0.00	0.160
Amortised Premiums	0.544	0.544	0.00	0.544
<b>Total Other Charges</b>	<b>1.256</b>	<b>1.338</b>	<b>0.082</b>	<b>0.868</b>
<b>Minimum Revenue Provision</b>	<b>20.504</b>	<b>17.010</b>	<b>(3.494)</b>	<b>22.514</b>
<b>TOTAL</b>	<b>23.960</b>	<b>19.868</b>	<b>(4.092)</b>	<b>27.550</b>

## Treasury Management Strategy 2026/27

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