

## Slough Borough Council

**Report To:** Audit and Corporate Governance Committee

**Date:** 12 February 2026

**Subject:** Treasury Management Strategy 2026/27

**Chief Officer:** Ian O'Donnell - Executive Director for Corporate Resources/S151 Officer

**Contact Officer:** Nick Penny - Director of Finance, Corporate and Commercial

**Ward(s):** N/A

**Exempt:** No

**Appendices:** Appendix 1 – Treasury Management Strategy 2026/27

### 1. Summary and Recommendations

- 1.1 This report sets out the Treasury Management Strategy, Prudential and Treasury Management Indicators and Minimum Revenue Provision Statement for Slough Borough Council for the financial year of 2026/27.
- 1.2 The information contained in the report as per statutory and CIPFA requirements as set for the Local Government authorities, including the following:
  - the Treasury Management Strategy Statement
  - the borrowing and debt management strategy
  - the investments strategy
  - the Council's prudential indicators
  - the minimum revenue provision (MRP) policy
  - the current treasury position and the economic and interest rates outlook
- 1.3 The Council is required to actively manage its substantial cashflows on a daily basis. The need to place monies in investments or to borrow monies to finance capital programmes and to cover daily operational needs, is an integral part of daily cash and investment portfolio management.
- 1.4 Full Council must approve the Treasury Management Strategy, Capital Strategy and any strategy setting out control of the authority's borrowing, including determining the authority's Minimum Revenue Provision, under the provisions for approving the annual budget. This reflects the legislative requirement for Full Council to approve the budget and policy framework. Audit and Corporate Governance Committee is asked to consider and review the draft strategy for 2026/27 to 2029/30, as appended to this report, and subject to any changes arising from Cabinet's consideration of revenue and capital budget proposals, recommend that the strategy be referred to Full Council for approval.

## Recommendations:

Audit and Corporate Governance Committee is requested to:

- a. Consider the Treasury Management Strategy Statement 2026/27, as set out in Appendix 1 including:
  - Annual Borrowing Strategy
  - Annual Investment Strategy
  - Minimum Revenue Provision Statement
  - Prudential Indicators
  - Capital Strategy
- b. Note there may need be some amendments arising from Cabinet's consideration of the revenue and capital budgets prior to Full Council, and that the S151 Officer has authority to incorporate any specific amendments required prior to submission to Full Council for approval
- c. Note the Authorised Limit for external borrowing is to be set at £709.4m (this is a statutory limit determined under Section 3(1) of the Local Government Act 2003).
- d. Recommend that the 2026/27 Treasury Management Strategy be submitted to Full Council for approval.

## Commissioner Review

This report is central to the Council's financial strategy and ongoing recovery. It ensures the Council's borrowing and investments are transparent, affordable, and sustainable. The strategy defines how the Council manages capital market transactions, prioritising the security of public funds above yield (return), cash flows to ensure liquidity in day-to-day revenue and protect the Council from market-related risks and interest rate exposure. The Council will aim to achieve the optimum return with its investments commensurate with proper levels of security and liquidity and regard to the Council's low risks appetite.

The forecasted general fund external debt level continues to increase, primarily to finance the Capitalisation Direction and deliver what is now considered to be essential capital maintenance. The development and implementation of a robust debt reduction plan will be critical in reducing the debt servicing costs and delivering the Council's future priorities in an affordable framework.

The Commissioners are content with this report being considered.

## 2. Report

### Introduction

- 2.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as:

*"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

- 2.2 The Treasury Management Strategy Statement (TMSS) sets out how the council undertakes these essential functions and helps deliver the Medium-Term Financial Strategy.
- 2.3 The Council has powers under Part 1 of the Local Government Act 2003 to borrow (i.e. prudential borrowing) and invest money in accordance with statute. In carrying out these functions, the Council is required to have regard to statutory guidance, which is currently found in the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice 2021.
- 2.4 The Council's Constitution requires Full Council to approve a treasury management strategy along with a set of prudential and treasury indicators (this report). The Financial Procedure Rules state the following:
- Full Council will receive reports on its treasury and investment management policies, practices and activities, including, as a minimum, approving an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close in the form prescribed in its Treasury Management and Investment Management practices.*
- 2.5 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. The Financial Procedure Rules confirm that Audit and Corporate Governance Committee is nominated as the appropriate body to be responsible for ensuring effective scrutiny of the treasury management strategy and policies. This committee will receive the draft annual strategy and plan in advance of approval by Full Council and receive the mid-year review and outturn report for review before submission to Full Council.
- 2.6 In addition to the above, there is also provision for quarterly reporting (end of June/end of December) on Treasury/Prudential indicators. These additional reports do not have to be reported to Full Council but, there is an expectation that they will be appropriately scrutinised by Audit and Corporate Governance Committee.

### **Options considered**

- 2.7 In accordance with the current agreed Treasury Management Strategy, the Treasury Management Strategy Statement is required to be reviewed by Audit and Corporate Governance Committee prior to approval by Full Council. Therefore, no other options were considered.

### **3. Background**

- 3.1 The Council's Treasury Management Strategy must be approved annually at Full Council as part of the annual budget.
- 3.2 The Council is required to operate within the parameters of a balanced budget (taking account of the exceptional financial support), which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus cash is managed (invested) commensurate with the Council's low risk appetite, prioritising cash security and adequate liquidity over investment return.

- 3.3 The other main function of treasury management is the funding of the Council's capital expenditure plans. The 5-year capital programme provides a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure that the Council can meet its capital spending plans and financial obligations. This management of longer-term cash may involve arranging long-term financing (in the form of loans or use of the reserves). When it is required, deemed prudent and economic, any existing debt may be restructured to meet Council risk or cost objectives.
- 3.4 The contribution the treasury management function makes to the authority is, therefore, critical as financing and cash management ensure its liquidity and the ability to meet capital expenditure commitments as they fall due (either on day-to-day revenue or capital projects).

#### 4. Treasury Management Strategy 2026/27

- 4.1 The Treasury Management Strategy for 2026/27 covers the requirements of the Local Government Act 2003, Ministry of Housing, Communities and Local Government (MHCLG) Investment Guidance, MHCLG MRP Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.
- 4.2 External advice has been sought from Arlingclose (the Council's treasury management advisors) in reviewing this treasury management strategy. Their advice is set out in the strategy and includes a summary of the external economic context.
- 4.3 Arlingclose have recently provided training to the Audit and Corporate Governance Committee members to assist the Committee to fulfil its function to provide independent assurance and review of the council's governance, risk management and control frameworks and overseeing financial reporting and annual governance processes
- 4.4 The Council recognises that the responsibility for treasury management decisions always remains with the organisation and will ensure that undue reliance is not placed upon the services of the external service providers.
- 4.5 Some key considerations are set out below:
- 4.6 **Minimum Revenue Provision:** Where the council finances GF capital expenditure through borrowing, it must aside resources to repay the debt in later years. The amount charged annually to revenue for the repayment of GF debt is known as the Minimum Revenue Provision (MRP), under the current TMS this is charged on an annuity basis over the useful life of the asset, repayments included in annual PFI or finance leases are applied as MRP. There is no requirement on the HRA to make a minimum revenue provision but, there is a requirement for a charge for depreciation. The MRP policy is set in the TMS report.
- 4.7 **Borrowing Strategy:** The Council's policy is to minimise borrowing where possible by limiting capital expenditure on non-grant funded schemes to expenditure which is essential or maintains/generates a revenue benefit. The EFS agreement requires the Council to review and rationalise its operational asset base with a view to minimise the level of borrowing. As highlighted in previous

reports, historically, the Council's borrowing had been high for its organisational size.

4.8 In September 2021 the Council agreed a Debt Repayment Strategy, which was predicated on an orderly programme of asset disposals which could be used firstly to finance any exceptional financial support that may be received from the Government and secondly to repay existing external debt. The aim of this course of action was to reduce both interest costs and MRP charged to revenue budgets. The update to this Debt Repayment Strategy is appended to the 2026/27 budget report and shows how the Council is seeking to reduce the level of debt to a more sustainable level in the next 20 years.

4.9 The council currently holds £9m of "Lender's Option Borrower's Option" (LOBO) loans. Opportunities to repay LOBO obligations will be considered when it can be demonstrated to be cost effective and affordable. An opportunity will arise for repayment of £4m LOBO during 2026/27.

4.10 **Investment Strategy:** The current strategy focuses on investments arising from surplus cash arising from day-to-day activities and is compliant with relevant statutory guidance. We must have regard to security and liquidity of these funds and ensuring the appropriate balance of risk and return, given the council's ongoing cash position there isn't currently any scope for longer term investments. The investment limits with approved counterparties are set out in the TMS.

4.11 The TMS 2026/27 summary position is outlined in table 1 below.

**Table 1: TMS Summary Position**

<b>TMS 2026/27 Summary Position</b>	<b>31.3.26 Estimate £m</b>	<b>31.3.27 Budget £m</b>	<b>31.3.28 Forecast £m</b>	<b>31.3.29 Forecast £m</b>	<b>31.3.30 Forecast £m</b>
Existing Long-term borrowing					
- PWLB	416.8	381.3	331.6	307.4	282.2
- LOBOs	9.0	9.0	9.0	9.0	9.0
- Bank	4.0	4.0	4.0	4.0	4.0
Existing Short-term borrowing	-	-	-	-	-
New Borrowing and Refinancing	55.6	117.7	189.0	179.3	186.8
<b>TOTAL BORROWING</b>	<b>485.4</b>	<b>512.0</b>	<b>533.7</b>	<b>499.7</b>	<b>482.0</b>
Long-term investments					
Short-term investments	-10.0	-10.0	-10.0	-10.0	-10.0
Cash and cash equivalents					
<b>TOTAL INVESTMENTS</b>	<b>-10.0</b>	<b>-10.0</b>	<b>-10.0</b>	<b>-10.0</b>	<b>-10.0</b>
<b>Net borrowing</b>	<b>475.4</b>	<b>502.0</b>	<b>523.7</b>	<b>489.7</b>	<b>472.0</b>

4.12 The CIPFA Prudential and Treasury Management Codes also requires all local authorities to include a Capital Strategy report. The aim of the Capital Strategy is to ensure that all elected members on the Full Council comprehensively understand the overall long-term policy objectives and resulting Capital Strategy Requirements, governance procedures and risk appetite. The Capital Strategy for

2026/27 is to be presented to Cabinet and Full Council as part of the Budget Report.

4.13 Some of the key assumptions that went into the TMS include:

- A Capital Programme of £20.2m across 2026/27 to 2030/31.
- Transformation Capital Investment of £20m across 2026/27 to 2028/29.
- Exceptional Financial Support of £65m across 2026/27 to 2027/28.
- A deficit of £14.4m in 2026/27 and £20m in 2027/28 on the Dedicated School Grant.
- General Fund reserves of £23.9m by the end of 28/29 (MTFS)

4.14 Whilst primarily funded from capital grants, part of the capital programme will need to be financed through prudential borrowing as set out above. In addition, assumed exceptional financial support (EFS) will have to be funded from borrowing, these assumptions have been factored into the revised Capital Financing Requirement (CFR) and borrowing assumptions in the TMS. The Council's asset disposals programme will continue to be progressed with a view of reducing the level of borrowing required under the terms of the EFS.

4.15 The CFR does not increase indefinitely, as MRP is a statutory annual revenue charge which broadly reduces the borrowing need in line with each asset's life, and so charges the economic consumption of capital assets as they are used. External borrowing should remain below the CFR because the council is able to utilise internal borrowing from cash backed reserves, including from the Housing Revenue Account (HRA).

4.16 The draft HRA capital programme aligns with the assumptions in the HRA 30-year Business Plan which is scheduled to be considered by Cabinet and assumes £119m of capital investment in the council's housing stock over the next 5 years. The programme is assumed to be funded from several sources including right-to-buy receipts, government grants and the Major Repairs Reserve. No additional external borrowing is assumed over the period of the medium-term financial plan (MTFP), and so the HRA CFR, which represents the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources, will remain at £162.9m over the period.

## **5. Implications of the Recommendation**

### *5.1 Financial implications*

5.1.1 This report details the Council's strategies for treasury management and investment activity. The council is required to invest its funds prudently and ensure its borrowing is affordable and does not breach the council's capital financing requirement. Key financial implications are reflected in the body of the report

### *5.2 Legal implications*

5.2.1 The Local Government Act 2003 (LGA 2003) provides that a local authority has the power both to borrow and invest money, subject to affordable borrowing limits, for any purpose relevant to its functions and for the prudent management of its financial affairs. The Act requires the Council to determine and to keep under review how much money it can afford to borrow.

- 5.2.2 Part 1 of the LGA 2003 established the legislative framework for the prudential capital finance system for local authorities.
- 5.2.3 The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended, provide that, in complying with this duty, the Council must have regard to the Prudential Code for Capital Finance in Local Authorities published by CIPFA. The Council is also required to have regard to the CIPFA Treasury Management Code of Practice.
- 5.2.4 The CIPFA Treasury Management Code of Practice 2021 and the Secretary of State's Investment Code both require the Section 151 officer to present an Annual Treasury Management Strategy Statement, including key appendices, for the forthcoming year for approval by the Full Council before the beginning of each financial year. The CIPFA Prudential Code for Capital Finance in Local Authorities sets out various indicators that are to be used to support capital expenditure plans and treasury management decisions.
- 5.2.5 The LGA 2003 requires each Council to set an affordable borrowing limit (the "Authorised Limit"). The Full Council must carry out this duty; it cannot be delegated. Having set this limit, the Council may not exceed it except for specified temporary purposes. However, the Council can make a new limit at any time.
- 5.2.6 The Prudential Code requires that all prudential indicators are set, and revised, only by the Full Council. This is because the need for Members to approve prudential indicators for capital finance is regarded as an important part of the governance responsibilities of a local authority.
- 5.2.7 The LGA 2003 provide the Government with reserve powers to set borrowing limits for local authorities that override their locally determined limits. This could be in the form of a national limit – this can only be imposed for national economic reasons – or a specific limit to prevent an individual authority borrowing more than it could afford.
- 5.2.8 The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 state: *"A local authority shall determine for the current financial year an amount of minimum revenue provision which it considers prudent"*

### 5.3 Risk management implications

- 5.3.1 Best practice and learning from other local government failures has identified that a failure to properly review and monitor treasury management activity can expose the Council to significant financial risk. It is critical that council adheres to best practice governance and assurance protocols as set out by CIPFA and the MHCLG.
- 5.3.2 The key risks for future treasury activity are that asset sales either do not generate the expected receipts or are further delayed. The mitigation is using external consultants to ensure best consideration is achieved through a managed asset disposal plan; and interest rates rise thus increasing borrowing costs.

### 5.4 Environmental implications

- 5.4.1 Ethical or Sustainable investing is becoming a more commonplace discussion with the wider investment community. There is a small (but growing) number of financial institutions and fund managers promoting Environmental, Social and

Governance (ESG) products, however, the types of products we can invest in are constrained to those set out in our Investment Strategy which is driven by investment guidance, both statutory and CIPFA, making it clear that all investing must follow SLY principles – Security, Liquidity and Yield: ethical issues must play a subordinate role to those priorities.

5.4.2 The Council's treasury management policies and practices (TMPs) refer to ESG principles in investing.

#### 5.5 *Equality implications*

5.5.1 There are no specific equalities implications arising from the recommendations.

### **4. Background Papers**

None