

## TREASURY MANAGEMENT AND INVESTMENT STRATEGY 2026/27

<b>Head of Service:</b>	Cagdas Canbolat, Director of Corporate Services and Section 151 Officer (Chief Finance Officer)
<b>Report Author</b>	Richard Appiah-Ampofo, Senior Accountant
<b>Wards affected:</b>	(All Wards);
<b>Appendices (attached):</b>	Appendix 1: Treasury Management and Investment Strategy 2026/27

### Summary

This report outlines the treasury management and investment strategy for 2026/27, which includes prudential indicators for 2026/27 to 2028/29, the minimum revenue provision (MRP) policy, and the investment and borrowing strategy. It is a legislative requirement that these items be approved by Full Council.

### Recommendation (s)

#### The Group is asked to:

- (1) Recommend to Full Council that the treasury management and investment strategy, which includes the following, be approved:
  - 1.1 The treasury management strategy and the treasury prudential indicators contained therein;
  - 1.2 The capital prudential indicators and limits;
  - 1.3 The borrowing strategy contained within the treasury management statement;
  - 1.4 The annual investment strategy;
  - 1.5 The minimum revenue provision policy statement;
  - 1.6 The treasury management practices.
- (2) Advise whether any countries should be considered for removal from the list of approved investable countries at section 7 of the treasury management and investment strategy in the appendix.

# Financial Strategy Advisory Group

## 30 January 2025

### 1 Reason for Recommendation

- 1.1 The treasury management and investment strategy and accompanying items is presented to the Financial Strategy Advisory Group prior to Full Council approval. It is a legal requirement that the items be approved at Full Council.

### 2 Background

- 2.1 The Council's treasury management and investment strategy supports the achievement of the Council's Medium Term Financial Strategy.
- 2.2 The Council typically holds average cash balances of around £25m-£30m, but this fluctuates depending upon the level of reserves and changes in working capital balances. For 2026/27, the council expects to generate £875,000 of investment income interest to help finance Council services to the public.
- 2.3 An interim report on the performance of treasury investments for 2025/26 was presented to this Group on 21 November 2025, with treasury management training offered to all members on the same date.
- 2.4 The November report also asked Members to note that the Council uses a recommended treasury management strategy template provided by MUFG Corporate Markets (formerly Link Asset Services – Treasury Solutions), considered to be appropriate for local authorities, and that this template will continue to be used for the 2026/27 Treasury Management and Investment Strategy.
- 2.5 The Council expects to continue to utilise a range of fixed term deposits, money market funds and interest-bearing accounts, all with highly credit-rated institutions to ensure security of public funds. Money market funds are essential for liquidity, as cash can be withdrawn within hours to fund daily cash requirements (i.e. payments to suppliers etc).
- 2.6 The Council does not currently anticipate any new borrowing needs for the forthcoming year, however, if a borrowing need did arise, this would be managed in accordance with the Treasury Management Strategy.
- 2.7 The Council follows treasury management practices recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA).

### Minimum Revenue Provision (MRP) Policy

- 2.8 MRP is an annual charge made against the revenue budget to set-aside funds (in the capital adjustment account reserve) to eventually repay the principal element of borrowing incurred when previously acquiring commercial properties. MRP is largely defined by regulation and aims to ensure that councils do not have fully utilised/depreciated assets that have associated debt outstanding.

# Financial Strategy Advisory Group

## 30 January 2025

- 2.9 The MRP policy determines the method used by councils to set-aside these statutory sums from the revenue budget. There are two main methods available;
  - 2.9.1 Straight line method – the same fixed MRP charge is made each year over the estimated asset life (typically 50 years).
  - 2.9.2 Asset life annuity method - MRP is calculated in a similar way as the capital element of a fixed rate repayment mortgage, i.e. the repayment is lower in early years, but steadily increases over the asset life (also typically 50 years).
- 2.10 At EEBC, the Council has adopted the annuity method to align asset financing costs with the expected benefits generated by the assets. Rental income from properties should on average gradually increase by inflation over 50 years and be sufficient to fund an increasing MRP charge over the same period.

### 3 Proposals

- 3.1 The Group is asked to recommend for approval each of the key elements of this report:
  - 3.1.1 The capital prudential indicators and limits contained within the treasury management strategy;
  - 3.1.2 The treasury management strategy and the treasury prudential indicators contained therein;
  - 3.1.3 The borrowing strategy contained within the treasury management statement;
  - 3.1.4 The annual investment strategy;
  - 3.1.5 The minimum revenue provision (MRP) policy statement;
  - 3.1.6 The treasury management practices.

### 4 Risk Assessment

#### Legal or other duties

##### 4.1 Equality Impact Assessment

- 4.1.1 None arising from the contents of this report.

##### 4.2 Crime & Disorder

# Financial Strategy Advisory Group

## 30 January 2025

- 4.2.1 None arising from the contents of this report.
- 4.3 Safeguarding
  - 4.3.1 None arising from the contents of this report.
- 4.4 Dependencies
  - 4.4.1 None arising from the contents of this report.
- 4.5 Other
  - 4.5.1 There is always an element of risk in investment, which is limited by applying stringent criteria to counterparty selection.

## 5 Financial Implications

- 5.1 **Section 151 Officer's comments:** Income earned by investing cash balances makes a significant contribution towards funding services. In 2026/27, the Council has budgeted to generate £875,000 investment income to fund services; the treasury management strategy supports the achievement of this income target, while managing investment risks to ensure security of the Council's funds.

## 6 Legal Implications

- 6.1 It is a requirement that the items in this report be approved by Full Council.
- 6.2 **Legal Officer's comments:** None arising from the content of this report.

## 7 Policies, Plans & Partnerships

- 7.1 **Council's Key Priorities:** The following Key Priorities are engaged:
  - Effective Council
- 7.2 **Service Plans:** The matter is included within the current Service Delivery Plan.
- 7.3 **Climate & Environmental Impact of recommendations:** No direct implications arising from the contents of this report.
- 7.4 **Sustainability Policy & Community Safety Implications:** No direct implications arising from the contents of this report.
- 7.5 **Partnerships:** No direct implications arising from the contents of this report.

# Financial Strategy Advisory Group

## 30 January 2025

7.6 **Local Government Reorganisation Implications:** In previous years, the Treasury Management and Investment Strategy has assumed that the Council will continue in its investment property acquisition programme, bringing the total cost of properties purchased up to the total sum approved by Full Council in February 2017 of £80 million. To date, property purchases have totalled £30.4 million which were funded by a combination of external and internal borrowing.

7.7 In May 2026 the new shadow unitary authority will come into existence, which as the successor to Epsom & Ewell Borough Council, will have its own strategy on property investment. In light of, this, no new acquisitions are being pursued, and therefore the Treasury Management and Investment Strategy for 2026/27 reflects that position.

## 8 Background papers

8.1 The documents referred to in compiling this report are as follows:

### **Previous reports:**

- [Budget Report 2025/26](#) – Full Council, 11 February 2025

### **Other papers:**

- [Treasury Management Interim Report 2025/26](#) – Financial Strategy Advisory Group, 21 November 2025.