

# Risk, Audit and Governance Committee

24 February 2026

Agenda item number 5

## Investment Strategy and Performance Report 2025/26 and Draft Capital, Treasury and Investment Strategy 2026/27

Report by Director of Resources

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### Summary

This report contains two items:

- i. Details of the Broads Authority's investment of surplus cash, including the investment principles adopted and performance during the ten months to 31 January 2026.
- ii. The Draft Capital, Treasury and Investment Strategy 2026/27.

### Recommendation

- i. To note the current arrangement regarding the investment of surplus cash.
- ii. To recommend the Draft Capital, Treasury and Investment Strategy to the Broads Authority for approval.
- iii. To support the capital expenditure principles set out in paragraph 3.5 and recommend them to the Broads Authority.

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## 1. Introduction

- 1.1. It was previously agreed that a report on the performance of the Broads Authority's investments would be presented to the Audit and Risk Committee, with a fuller year-end analysis at the July meeting, and a mid-year progress report at the appropriate half year meeting.

## 2. Investment principles and performance

- 2.1. The Authority's Treasury and Annual Investment Strategy 2025/26 governs the investment of surplus cash. Details of this strategy renewal are in paragraph 3.1.
- 2.2. As detailed in the strategy, the Authority's primary concern is to safeguard its capital and the liquidity of its investments. Surplus cash sums are monitored on a weekly basis by the Authority's Finance staff and transferred as and when required to appropriate

institutions listed in the Strategy. Cash flow requirements can result in transfers in both directions as the year progresses. The key facts for the ten months to 31 January 2026 were as shown in Table 1.

**Table 1**

Investment Holdings 2025/26

Type	Opening Balance £000's	Closing Balance £000's	Highest Sum £000's	Lowest Sum £000's
Instant Access	1,490	2,257	5,200	972
32 Day Notice	566	586	586	566
95 Day Notice	2,500	2,500	2,500	2,500
DMO Fixed Deposits <sup>1</sup>	3,000	3,000	3,000	1,500

2.3. Since April funds have been returned from the Debt Management Office (DMO) and reinvested. During this period there have been nine transfers to the DMO for periods ranging from one and six months. Transfers have been between £1 and £3 million, and all returned deposits have been reinvested depending on cashflow.

2.4. The figures for the previous year (2024/25) were as shown in Table 2.

**Table 2**

Investment Holdings 2024/25

Type	Opening Balance £000's	Closing Balance £000's	Highest Sum £000's	Lowest Sum £000's
Instant Access	1,239	1,490	3,346	856
32 Day Notice	539	566	566	539
95 Day Notice	2,500	2,500	2,500	2,500
DMO Fixed Deposits	2,000	3,000	3,000	1,000

2.5. It should be noted that the automatic transfer between the instant access and the current account seeks to maintain a current account balance of £1,000. This means that the balance within the instant access is not available in its entirety for investment. This is important for the Peat Restoration, Paludiculture Exploration Fund and Lottery

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<sup>1</sup> Investments can be made over night or up to 6 months. The balance at the end of January is equally split into three £1 million and is invested for 181, 91 and 56 days each.

projects, which are claimed three months in arrears. Payment can then be up to a further three months after submission.

- 2.6. Interest earned to the end of January is £209,943.92 and is forecast to increase to £260,000 by the end of March. This is based on interest rates that range from 1.256% to 4.56%. The forecast has been updated to reflect this.
- 2.7. The amount of interest received during 2024/25 was £306,831.53 based on interest rates ranging from 1.6% to 5.3%. Forecast interest for 2024/25 was £300,000.

### **3. Draft Capital, Treasury and Annual Investment Strategy 2026/27**

- 3.1. The Prudential Code requires local authorities to produce an Annual Investment and Capital Financing (borrowing) Strategy. This must be approved before the start of each financial year, by the Broads Authority.
- 3.2. The Treasury Strategy is on pages 7-13. Paragraph 2.22 states that the Authority does not currently use external providers as part of the treasury management process. In the past this has been based on the costs of such providers exceeding the returns on investments and the level of risk the Authority was prepared to accept. Members will recall this has been a long-term ambition to investigate but due to other priorities this has not progressed.
- 3.3. The Annual Investment Strategy has been updated to reflect current holdings in paragraph 3.1. Paragraph 4.2 sees the forecast of the Authority's Capital Financing Requirement (CFR) over the next three years. The CFR measures the amount of capital spending that has not yet been financed by capital receipts, capital grants or contributions from revenue income. Although historically reported as part of the Authority's Statement of Accounts the Code requires its inclusion here.
- 3.4. The revised Prudential Code sets out the indicators relevant to the Authority, and these are set out in paragraphs 4.1 and 4.2. It assumes that DEFRA will continue to provide a capital grant based on that received in 2025/26. A variation to this assumption may have an impact on the total capital spent. Members will be updated once confirmation has been received.
- 3.5. Whilst official confirmation on the 2026/27 grant settlement on the revenue/capital split is awaited from DEFRA, officers are looking at options to spend similar levels of capital grant to 2025/26. On the basis that the criteria will remain the same (30by30 and innovation, invest to save and income generating activities) the Authority is considering similar options which would include the purchase of additional marsh land and replacement of old equipment. Members are asked to support these principals as a recommendation to the Broads Authority on 27 February 2026.
- 3.6. The 2026/27 investment strategy sees the inclusion of the Authority's minimum revenue provision policy (MRP). The need for formal documentation was highlighted by

EY's audit results received in November. The MRP policy details how the Authority charges to debt to the revenue account and can be found in paragraphs 4.3 to 4.6.

- 3.7. The Authority's debt is restricted to the PWLB loan to purchase the Dockyard in 2007 and the finance leases brought onto the balance sheet in 2024/25. The MRP policy in 4.5 is required to be approved prior to start of the financial year. The policy details the same method it has been using since 2007.
- 3.8. Paragraph 4.15 discusses the liability benchmark which was a new requirement under the code in 2021. The benchmark was introduced so that the debt maturity profile of the Authority could be compared with the minimum revenue provision (MRP) and other cashflows which affect our future debt requirement. As it currently stands the benchmark matches our existing levels of debt.
- 3.9. The Capital Receipts Reserve balance is set out in paragraph 4.8. The reserve can be used to fund capital expenditure or the repayment of debt. The overall balance is split 58% National Park and 42% Navigation. Significant improvements to existing (new facilities) or the purchase of new sites/assets may be funded from this reserve, subject to member approval.
- 3.10. Members' views are sought on the draft prior to the Broads Authority meeting on 27 February 2026.

Author: Emma Krelle

Date of report: 11 February 2026

[Broads Plan](#) strategic objectives: All

Appendix 1 – [Draft Capital, Treasury and Investment Strategy 2026/27](#)

# Capital, treasury and investment strategy 2026/27

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# Capital Strategy

## 1. Introduction

- 1.1. The update of CIPFA's Prudential Code in December 2021 and Capital Finance guidance notes in September 2018 introduced the need for Local Authorities to have a Capital Strategy from 2019/20. It is intended to provide a high-level overview of how capital expenditure; capital financing and treasury management contribute to the provision of services and how the risks of these activities are managed and what impact it may have for future financial sustainability.
- 1.2. The Capital Strategy will be renewed annually. Monitoring and approval of the strategy will remain with the Authority.
- 1.3. The Capital Strategy provides a link between The Broads Plan, Strategic Priorities, the Asset Management Strategy and the Financial Strategy.
- 1.4. The current Broads Plan covers the period of 2022-2027. It is a partnership strategy for the whole of the Broads and sets out guiding actions not just for the Authority but all partners. Its success very much depends on a common vision, strong partnership working and the best use of shared resources. The plan is available on the website [Broads Plan 2022 - 2027 \(broads-authority.gov.uk\)](https://broads-authority.gov.uk). This plan will be monitored through an annual meeting with key delivery partners and to maximise joint partnership working.
- 1.5. The Authority's Strategic priorities are set annually by the members in line with objectives in the Broads Plan. Progress against the Strategic priorities is reported regularly to the Broads Authority and details can also be found on the website.
- 1.6. The Asset Management Strategy sets out the Authority's practices and procedures which have been established to ensure that the Authority's land, property and other assets are managed and maintained as effectively as possible. It also sets out a series of key principles which will be adhered to in the management of the asset base and guidance on the procurement and disposal of land and property. A copy is also available on the website.
- 1.7. The annual Budget and Financial Strategy includes capital expenditure for the forthcoming year and the following two financial years. The earmarked reserves appendix identifies what capital expenditure will be funded in each year. Although the later years are based on the replacement programmes the last two financial years should be seen as estimates. These estimates maybe updated as a result of refining the costings during budget setting for those years or the receipt of capital grants.

## 2. Core principles

- 2.1. All capital expenditure and investment decisions will be affordable, proportionate, prudent and sustainable.
- 2.2. Decisions to invest or dispose of capital items will comply with the Authority's delegated powers, standing orders and financial regulations.
- 2.3. Capital expenditure will reflect the aspirations set out in the Broads Plan, Strategic Priorities and the authority's environmental and carbon policies.
- 2.4. New areas of major capital expenditure (£250,000 plus) will be supported by a fully costed appraisal over the lifetime of the scheme and incorporated into the annual budget. Risks will be fully considered, not just during initiation but over the lifetime of the asset including its potential disposal.

## 3. Capital expenditure

- 3.1. Whilst other Local Authorities have large capital expenditure programmes to fund housing and regeneration projects the Authority's expenditure remains modest and focuses on operational need. Items of major capital expenditure are identified through the Asset Management Strategy replacement programme and as part of the budget setting process. Items of expenditure over £5,000 that have a useful economic life of more than one financial year are classified as capital expenditure.
- 3.2. Capital Expenditure can be funded via a number of methods. These include revenue budgets, earmarked reserves, capital grants, leases, long-term borrowing and capital receipts. All capital expenditure on physical assets is held on the Balance Sheet under Property, Plant and Equipment. At the end of 2024/25 the value of these items was £7.3m.
- 3.3. Traditionally revenue budgets tend to fund the smaller items such as tools and equipment. However larger Navigation items can be funded through revenue as a result of tolls setting. The ongoing maintenance of assets is funded by revenue budgets and is not capitalised. Cost estimates are made on the basis of forecast maintenance required to keep assets in operational use.
- 3.4. Through identification of the Asset Management Strategy annual contributions are made from the revenue budget to the earmarked reserves to cover the cost of future replacements. Balances are built up and then drawn down in future years. Expenditure from the earmarked reserves is considered annually alongside the revenue budget, with a forecast for the following two financial years. Replacement costs are regularly monitored to ensure that the contributions remain appropriate to the earmarked reserves. Where adjustments are required this will be passed to the Authority as part of the annual budget setting process.

- 3.5. Although long term borrowing remains an option to the Authority it is not regularly utilised for capital expenditure. At the end of 2024/25 the balance sheet contained one long term loan which had an outstanding balance of £36.25k. Further details can be found in the Treasury Management Policy Statement on borrowing principles (section 2.3).
- 3.6. The Authority currently holds three capital receipts. The first following the disposal of Ludham Field base in August 2018 and the final two following the disposal of a JCB's in March 2023 and June 2024. Capital receipts can be used to fund new capital expenditure or the repayment of debt. It is currently being held on the balance sheet. New long-term capital projects will consider utilising the balance.

## **4. Short, medium and long term capital priorities**

### **Short and medium term priorities (1-3 Years)**

- 4.1. The Authority's short to medium term priorities is delivering the asset replacements detailed within the Asset Management Strategy and Earmarked reserves. The focus is on continued operations but with the potential to remain flexible as new opportunities for efficient working arise or if urgent items arise. Replacement items to be funded over the next three years include vehicles, excavators, wherries and Ranger launches. All of which will be funded from the Earmarked reserves.
- 4.2. It is expected that during the short to medium term that the potential options around Visitor Services and facilities will be explored. As options for improvements at existing site or new sites are developed these will be brought back to members with a business case. The key issue for new sites remains initial funding which will be explored through potential funding bids and partnership. As this progresses papers highlighting risks will be taken to the Authority for members to make the final decision.
- 4.3. The use of reserves other than earmarked reserves will require approval from the Authority. The impact of loss of investment income will need to be offset by the benefits of such a capital project.

### **Long term priorities (4 years plus)**

- 4.4. The Authority's long-term priorities will be shaped by future funding agreements received from DEFRA in the form of National Park Grant and potential toll increases. Reductions to either forms of income could impact the potential to replace assets as they near the end of their useful lives and ongoing maintenance programmes. Long term priorities will need to ensure that they will generate income to fund their upkeep and any reduction in investment income.

- 4.5. Larger items of equipment such as the wherries and launches can be operational anywhere between 20 and 50 years. It is essential that their ongoing maintenance is incorporated into the revenue budget and the contributions to the earmarked reserves continue.
- 4.6. The moorings refurbishment programme remains a key area of maintenance to ensure that moorings remain safe to use by the public. Where the Authority is responsible for future piling and upkeep it will seek to own sites or minimise rental payments in recognition for this ongoing responsibility.

## 5. Risk appetite

- 5.1. The Authority's risk appetite towards capital expenditure remains low and will be based around the core principles. Funding of capital items will continue mainly through existing resources but on occasion finance leases or other borrowing maybe appropriate. Borrowing principles are set out in the Treasury Strategy (section 2.2) and the forecast of capital expenditure and borrowing limits is in the Investment Strategy (section 4).
- 5.2. The Authority recognises the importance of ensuring that all staff involved in the capital strategy are equipped to undertake the duties and responsibilities allocated to them. Recruitment of vacant posts will reflect this position and training opportunities will be identified through the annual appraisal.
- 5.3. It is recognised decisions surrounding land and buildings carry a higher degree of risk. Where opportunities arise of acquisition or disposal the Authority will make use of its property consultants and legal advisers to ensure these risks are fully understood.

# Treasury strategy

## 1. Introduction

- 1.1. Both CIPFA's Treasury Management Code of Practice (2021 Edition) and the Prudential Code requires the Authority to produce a strategy which explains the Authority's borrowing and investment activities and the effective management and control of those risks. This strategy seeks to incorporate the best practice recommendations from this guidance whilst also bearing in mind the Guidance for Smaller Public Service Organisations (2014 Edition).

## 2. Treasury management policy statement

- 2.1. The Authority defines its treasury management activities as:

- The Management of the organisation's borrowing, investments and cash flows, including its banking, money market and capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those.
- The Authority regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.
- The Authority acknowledges that effective treasury management will provide support towards the achievement of its strategic objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance management techniques, within the context of effective risk management.

### Borrowing principles

- 2.2. The Authority intends to fund all of its capital expenditure from either its earmarked reserves, capital receipts, capital grants or from its revenue accounts. However if any of those accounts hold insufficient funds borrowing maybe considered.
- 2.3. The Authority currently has one long term loan from the Public Works Loan Board (PWLb) that was utilised to purchase the dredging operation from May Gurney in November 2007 for £290,000. This is to be paid over a 20-year period at a fixed interest rate of 4.82%. Repayments are incorporated into the revenue budget. The Authority also has the option to enter into finance leases to purchase capital items. Typically this has included the purchase of large pieces of equipment such as the

JCB, the Doosan excavator and the concrete pump. International Financial Reporting Standards include these types of leases as borrowing due to the risk and reward of the asset transferring to the Authority.

- 2.4. If additional borrowing was deemed necessary following committee consultation then the Authority would need to minimise the costs to the revenue budgets including future year repayments and undertake new borrowing at the cheapest cost.

### Investment principles

- 2.5. The Authority's main objective is the prudent investment of its treasury balances. Investments are made purely for treasury management purposes, not to support service and commercial purposes. The main priorities are the security of capital and the liquidity of its investments. It will be only after these have been satisfied that it will aim to achieve optimum return on its investments. The Authority will not engage in borrowing purely to invest or to on-lend to make a return. Such activity is considered unlawful.

### Treasury management practices

#### Risk management

- 2.6. The Authority adopts a low-risk appetite to its treasury management but is not totally risk averse. It will invest with other institutions with appropriate credit ratings rather than just making use of government deposits. If additional borrowing should be required it will seek to borrow on a fixed rate basis to build in assurance for future year liabilities.
- 2.7. As part of the Authority's corporate and directorate risk registers, risks are monitored and managed on a regular basis. This includes investment risks. Corporate risks are reported to every meeting of the Risk, Audit and Governance Committee. Responsible Officers review these throughout the year and are discussed at Directorate meetings.
- 2.8. Risks specific to treasury management include:
- **Credit and Counterparty:** The main objective of the Authority is to secure the principal sum it invests and therefore takes a prudent approach as to whom it invests funds with. This is limited to organisations who meet minimum criteria and is covered in more detail within the investment strategy. The Authority also faces this risk through the default of its debtors. Payment terms are limited to 30 days or where appropriate payment is asked for in advance. Corrective action is taken as required to secure outstanding debts. Bad debts are kept to a minimum.

- **Liquidity:** The Authority will maintain adequate but not excessive cash balances and borrowing arrangements to enable it to achieve its strategic objectives. The Authority will only borrow in advance of need where there is a clear business case to do so and will only do so for the current capital programme. Debt repayments are included in the annual revenue budget.
- **Interest rate:** The Authority will manage its exposure to fluctuations to interest rate risks in line with its budgets. It will achieve this through the prudent use of its approved instruments, methods and techniques to create stability and certainty of costs and revenues, whilst remaining sufficient flexibility to take advantage of unexpected changes to interest rates. The Authority will limit fixed term deposits to a period of no longer than one year to limit risks to liquidity.
- **Exchange rate:** The Authority will manage its exposure to fluctuations in exchange rates to minimise any impact on its budgeted income/expenditure levels. External advice will be sought to manage this in the most appropriate way as it could have a significant impact; this is particularly important in regard to EU grants.
- **Inflation:** The Authority will keep under review the sensitivity of its treasury assets and liabilities to inflation and will seek to manage the risk accordingly in the context of the whole Authority's inflation exposures.
- **Re-financing:** If the Authority was in a position to re-finance its borrowing it will ensure that such arrangements are negotiated, structured and documented and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or re-financing. These will be competitive and as favourable to the organisation that can be reasonably achieved in the light of market conditions at the time. It will manage its relationships with its counterparties to secure this objective and will avoid the over reliance on any one source of funding if this might jeopardise achievement of the above.
- **Legal and regulatory:** The Authority will ensure all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. The Authority recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as reasonable to do so, will seek to minimise any adverse risks.
- **Operational risk, including fraud, error and corruption:** The Authority will ensure that it has identified the circumstances which may expose it to the risk of loss through inadequate or failed internal processes, people and systems or from external events. It will employ suitable systems and procedures to ensure

segregation of duties and will maintain effective contingency management arrangements to do so. In addition, the Authority holds Fidelity Guarantee Insurance with Zurich Municipal as part of its overall insurance management arrangements.

- **Price:** The Authority will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests and will accordingly seek to protect itself from such fluctuations.

#### Performance measurement

- 2.9. Treasury management will be subject to regular review of its value for money and if other alternative methods of delivery will become more appropriate. The Risk, Audit and Governance Committee will receive reports twice a year detailing performance. It will also review the Treasury Strategy prior to the Authority meeting which remains responsible for its adoption. Further details of those performance measures are included within the Investment Strategy.

#### Decision making and analysis

- 2.10. The Authority will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps have been taken to ensure that all issues relevant to those decisions were taken into account at that time.

#### Approved instruments, methods and techniques

- 2.11. The Authority will undertake its treasury management activities by only employing those instruments, methods and techniques as detailed in the Investment Strategy. The Authority does not intend to use derivative instruments to manage risk. However if it chose to do so in the future it would seek proper advice and will consider that advice when entering into arrangements to use such products to ensure that it fully understands those products.

#### Organisation, clarity & segregation of responsibilities, and dealing arrangements

- 2.12. In order for there to be effective control and risk management it is essential that there is clear segregation of duties for the reduction of the risk of fraud and error and for the pursuit of optimum performance. This will be subject to regular review by Internal Audit as part of its key control test. If at any time there is a lack of resources that does not allow this, it will be reported to the Risk, Audit and Governance Committee. Such duties are detailed in the Finance department's job descriptions and are reviewed annually.

- 2.13. The Director of Resources is responsible for the development of the strategy, whilst cash flow monitoring is undertaken by the Senior Finance Assistant and reviewed by the Senior Accountant. The Director of Resources will remain responsible for identifying appropriate counter parties in line with agreed criteria. Funds to be transferred will be carried out by the Senior Finance Assistant, Financial Accountant and Senior Accountant following approval by the Director of Resources. All funds will be automatically transferred back into the Authority's main bank account. The Director of Resources will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.

#### **Reporting requirements and management information**

- 2.14. The Director of Resources will prepare regular reports for consideration on the implementation of its policies, the effects of decisions taken and transactions executed. The reports will also consider the impact of any changes on the budget or other regulatory, economic and market factors.
- 2.15. The Broads Authority will receive an annual report on the strategy and the plan for the coming year. The Risk, Audit and Governance Committee will review this strategy and receive a mid-year review and an annual report on activity over the last year. Any impact on investment income will be reported throughout the year to the Broads Authority as part of its Finance Performance and Direction reports.

#### **Budgeting, accounting and audit arrangements**

- 2.16. The Director of Resources will prepare the annual budget which will include the costs of the treasury function as well as the investment income as deemed by statute and regulation. The Director of Resources will be responsible for exercising control over these items and will report any changes as required as detailed above.

This Authority will account for its treasury management activities, decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

#### **Cash and cash flow management**

- 2.17. The Director of Resources will be responsible for all monies in the hands of the Authority and will be reviewed for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis to ensure that liquidity risk is monitored. This will be undertaken on a weekly basis by the Senior Finance Assistant and reviewed by the Senior Accountant. This weekly forecast will also look at predictions for the current month. Annual cash flow predictions will be prepared by the Director of Resources following preparation of the annual budget.

### **Money laundering**

- 2.18. The Authority is aware that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Further details can be found in the Authority's Counter Fraud, Bribery and Corruption policy and its Financial Regulations. Copies are available to all staff on the Intranet.

### **Training and qualifications**

- 2.19. The Authority recognises the importance of ensuring that all staff involved in the treasury management are equipped to undertake the duties and responsibilities allocated to them. Recruitment of vacant posts will reflect this position and training opportunities will be identified through the annual appraisal.
- 2.20. The Director of Resources will ensure that the Risk, Audit and Governance Committee who have treasury management/scrutiny responsibilities have access to training relevant to their needs and responsibilities.
- 2.21. Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

### **Use of external providers**

- 2.22. The Authority recognises that responsibility for treasury management decisions remain with the Authority at all times. It recognises that there may be value in employing external providers in order to access specialist skills and resources. However the use of external providers is not currently used based on the Authority's limited amount of surplus funds and the costs associated. If this position changed it would ensure a full evaluation had been undertaken as to the costs and benefits through the Authority's Standing Orders.

### **Corporate Governance**

- 2.23. Treasury Management activities will be undertaken with openness and transparency, honesty, integrity and accountability. This together with the other arrangements detailed in the Investment Strategy are considered vital to the achievement of proper corporate governance in treasury management. The Director of Resources will monitor and report upon the effectiveness of these arrangements.

### **Management practices for non-treasury investments**

- 2.24. The Authority recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.
- 2.25. The Authority will ensure that all investments are covered in the investment strategy, and will set out, where relevant, the Authority's risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that

the risk appetite for these activities may differ from that for treasury management. Where the Authority holds non-treasury investments a schedule of these types of investments will be included.

# Annual Investment Strategy 2026/27

This strategy builds on those principles and practices as laid out in the Treasury Management Strategy. It continues to give priority to the security of capital and liquidity before returns are considered.

The Authority will continue to invest in Sterling and will consider the bodies environmental, social and governance (ESG) practices.

## 1. Specified investment

1.1. These investments are made in Sterling and have a duration of 1 year or less.

Typically, these are low risk investments due to being made with high credit rating bodies, examples include:

- UK government or local authorities.
- UK/European banks and building societies.
- Money Market funds (AAA rated by credit rating agency)
- Debt Management Agency deposit facility

1.2. This list is not exhaustive but highlights where the Authority is most likely to place its funds.

1.3. To mitigate against the risks of credit and counterparty the Authority will only seek investments with bodies that have at least a short-term rating of F-1 as stated by Fitch credit ratings.

1.4. The Authority will monitor these ratings monthly through online credit watches and use these to determine any new investments. This may mean those failing to meet the criteria will be removed from the list, whilst those new counterparties who do may be added. Other market information including the financial press will be monitored.

## 2. Non-specified investments

2.1. These investments tend to be any other type of permitted investment which have durations of more than a year. This also includes equity-type investments. At this point the Authority does not consider these types of investments as appropriate but may do so in the future if unallocated funds permit.

2.2. Longer term investments will only be considered with those institutions that have a Fitch credit rating of A (+/-). In addition institutions ethical and environmental

activities will also be taken into consideration to compliment the Authority's strategic objectives, including responding to climate change and sustainability.

- 2.3. The Authority will seek proper advice and will consider that advice when entering into arrangements on derivatives to ensure that it fully understands those products.

### 3. Liquidity

- 3.1. The Authority will seek to try and spread its investments to avoid over reliance on one institution. Funds held at Barclays are automatically swept each day into its Business Premium. This facility is instant access. Based on its cash flow forecasts the Authority anticipates that its cash balances will range between £8.5m and £10.6m.

#### Current Holdings as at 31/01/26

Counterparty	Holding/ Investment	Interest rate	Investment date	Maturity date
Barclays Notice Account	2,500,000	Base rate + 0.05%	n/a	95 days' notice
Barclays Notice Account	586,000	Base rate – 0.05%	n/a	32 days' notice
Debt Management Office (DMO)	1,000,000	3.65%	15/01/2026	15/07/2026
Debt Management Office (DMO)	1,000,000	3.7%	15/01/2026	12/03/2026
Debt Management Office (DMO)	1,000,000	3.68%	15/01/2026	16/04/2026
Barclays Premium Account	2,257,465	1.256%	n/a	Instant access

### 4. Capital financing (borrowing) principles

- 4.1. The following table shows the current forecast for capital expenditure for the next three years. Commentary is also provided below.

#### Prudential indicator 2026/27-2028/29

Prudential indicator	2026/27	2027/28	2028/29
Estimate of capital expenditure	£1,707,000	£1,715,000	£1,485,000
Authorised limit for external debt	£900,000	£900,000	£900,000
Operational Boundary	£800,000	£800,000	£800,000

- 4.2. The Capital Financing Requirement (CFR) is reported annually in the Authority's statement of accounts. It measures the amount of capital spending that has not yet been financed by capital receipts, capital grants or contributions from revenue income. The table below sets out the estimate CFR for the next three years.

#### Capital Financing Requirement

Movement	2026/27	2027/28	2028/29
Opening CFR 01/04	£600,742	£537,780	£485,750
Capital expenditure	£1,707,030	£1,715,060	£1,485,060
Capital expenditure funded from revenue and capital grants	(£1,692,030)	(£1,700,060)	(£1,470,060)
Repayment of debt (MRP)	(£77,962)	(£67,030)	(£61,932)
<b>Closing CFR 31/03</b>	<b>£537,780</b>	<b>£485,750</b>	<b>£438,818</b>

- 4.3. Where the Authority funds capital expenditure via debt it is required to charge a minimum revenue provision (MRP) to the Authority's revenue account each year, to provide for the repayment of loans and right of use leases. The Ministry of Housing, Communities and Local Government (MHCLG) regulations state the Authority should approve an MRP policy in advance of each year which is prudent and reduces debt to finance capital expenditure to nil over an appropriate period.
- 4.4. There are four options to calculate the provision, with options one and two relating to supported borrowing prior to 1 April 2008.
- 4.5. The Authority's policy adopts option three which is based on the Asset life method using the annuity method. MRP is charged based on the principal element for the year of the annuity required to repay over the asset's useful life, the amount of capital expenditure financed by borrowing or lease arrangements. The authority should use an appropriate interest rate to calculate the amount. This is typically the Public Works Loan Board (PWLB) rate as this is the source of borrowing previously used.
- 4.6. The MRP charge in turn reduces the Authority's CFR.
- 4.7. From 2024/25 the Authority recognised Right Of Use (ROU) assets on the balance sheet through the adoption of IFRS 16. A ROU asset is typically where the Authority has the right to use an asset through a lease. Prior to 2024/25 these were recognised as operating leases and although declared in the Statement of Accounts were not recognised as an asset. The inclusion of these ROU assets, but excluding peppercorn leases, increases the Capital Financing Requirement (CFR).

- 4.8. The use of reserves to finance capital expenditure will have an impact on level of investments. However budgeted contributions to earmarked reserves should mitigate this as well as the sale of assets. The table below shows estimates of year end balances for each resource.

**Estimated year end reserves 2026/27-2028/29**

<b>Estimated Year-End reserves</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>
General and Navigation Reserves	£1,635,000	£1,606,000	£1,563,000
Earmarked Reserves	£1,400,000	£1,362,000	£1,255,000
Capital Receipts Reserve	£442,000	£442,000	£442,000
Total Investments 31 March	£3,477,000	£3,410,000	£3,260,000

**Affordability**

- 4.9. The prudential code indicator for affordability asks the Authority to estimate the ratio of financing costs to net revenue stream. The Authority’s current borrowing consists of the Public Works Loan Board (PWLB) loan and leases. The first PWLB Loan was to finance the acquisition of the dredging operation from May Gurney, the financing costs have a zero effect on the bottom line of navigation income and expenditure as the dredging operation (financing costs and ongoing running cost including any additional capital expenditure) are less than or equal to the cost paid to contract out to May Gurney in the past. Lease interest repayments are also charged directly to the revenue budget. Whilst both of these remain less than - 1.03% of National Park Grant and Navigation income it is felt that this indicator is not appropriate for use by the Authority in this instance. Any increases to debt will require this indicator to be reviewed.

**External debt**

- 4.10. Prudential indicators in respect of external debt must be set and revised taking into account their affordability. It is through this means that the objective of ensuring that external debt is kept within sustainable, prudent limits is addressed year on year.
- 4.11. Therefore, the Authority will at this time only borrow long term to finance the capital expenditure incurred on the acquisition of the dredging operation from May Gurney.
- 4.12. Actual debt as at 31 March 2025 was £58,094 which consists of the PWLB loans.

### **Authorised limit**

- 4.13. The Authority will set for the forthcoming financial year and the following two financial years an authorised limit for its total external debt, separately identifying borrowing from other long-term liabilities (excluding pension liability and government grants deferred). It should be noted that the Authority does not have any other long-term liabilities at present or plans to have any in the future. This prudential indicator is referred to as the authorised limit and is shown in the table above.

### **Operational Boundary**

- 4.14. The authority will set for the forthcoming financial year and the following two financial years an operational boundary for its total external debt. This Prudential indicator is referred to as the operational boundary and is shown in the table above. The operational boundary is based on the Authority's estimate of most likely, i.e. prudent, but not worst case, scenario.

### **Liability Benchmark**

- 4.15. The revision of the code in 2021 included a liability benchmark. The benchmark compares the debt maturity profile of the Authority with the minimum revenue provision (MRP) and other cashflows which affect our future debt requirement. Whilst other local authorities have high value consisting of mixed debt profiles the Authority's debt is fixed term, relatively low value and repaid in full without the need to refinance. The loan relating to the purchase of the dredging operation will be repaid in full in 2027/28. This combined with the forecast level of investment balances means that the benchmark equals the existing level of debt. Levels of debt can be found in the capital financing requirement table. If the Authority's debt structure changed then the benchmark would be revisited.

### **Capital expenditure**

- 4.16. The Authority will make reasonable estimates of the total of capital expenditure that it plans to incur during the forthcoming financial year and at least the following two financial years. This Prudential indicator will be referred to as estimate of capital expenditure and is included in the table above.

### **Treasury management**

- 4.17. The Prudential Code requires authorities to set upper limits for its exposure to the effects of changes in interest rates. However, as explained above under paragraph 4.9, the current borrowing costs will not be an additional cost to the Authority. The Authority has borrowed at a fixed interest rate, thus reducing its exposure to changes in interest rates. This Prudential indicator is therefore not considered necessary in this instance.

- 4.18. There remains a small risk to the Authority in using fixed term deposits that interest rates may increase in the short term. This is minimised by the structuring of how investments are placed. By minimising fixed term deposits to a minimum of 1 year and staggering them it will allow the Authority to take advantage of any increase as funds become available for re-investment. Funds in instant access will be able to take advantage of any increase in rates.

#### **Maturity structure of borrowing**

- 4.19. The Prudential Code requires authorities to set upper and lower limits with respect to the maturity structure of its borrowing. However, as the Authority only has a single long-term loan this indicator is not considered relevant.

### **5. Non-treasury investments**

- 5.1. Previously the Authority held one non-treasury investment in the form of an Investment Property (Ludham Field base). This was disposed of in August 2018, the proceeds of which are currently held in the Capital Receipts Reserve. There are currently no plans for additional non-treasury investments.

### **6. End of year investment and capital financing report**

- 6.1. The Authority will provide a report on its investments and capital financing activity at the end of the financial year, as part of its final accounts reporting procedure.