



TREASURY MANAGEMENT STRATEGY 2026/27

Introduction

- 1.1 Treasury Management is the management of the council's borrowing, investments and cash flows, including its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
- 1.2 This strategy has been prepared in accordance with the following guidance:
 - Department for Levelling Up, Housing and Communities (DLUHC, now MHCLG) Statutory guidance on local government investments (2018)
 - Ministry of Housing, Communities & Local Government (MHCLG) Capital finance: guidance on Minimum Revenue Provision (5th edition) (2024)
 - Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for capital finance in local authorities (2021)
 - CIPFA Treasury management in the public services: Code of practice (2021)
- 1.3 To support this Treasury Management Strategy (TMS), the council maintains Treasury Management Practices (TMP) that outline how the council's strategic policy objectives for treasury management will be achieved. The operational practices are maintained by the corporate finance team and approved by the Chief Finance Officer.
- 1.4 The council employs external treasury management advisors, MUFG Corporate Markets (MUFG), who provide advice and guidance on treasury management activities, including interest rate forecasts. This is utilised to inform borrowing and investment decisions.
- 1.5 This report incorporates prudential and treasury indicators (Annex C) as required by the Prudential Code, and a treasury management policy statement (Annex E) as required by the Treasury Management Code of Practice.

Economic Context

- 2.1 The UK economy remains a fiscal challenge following a prolonged period of high interest rates and relatively volatile inflation, caused initially by the global pandemic and the subsequent cost of living crisis. UK growth is improving marginally, with Gross Domestic Product (GDP) at 0.7% for quarter 1 and 0.2% for quarter 2 2025.
- 2.2 Domestic inflation rates are elevated in comparison to the target rate of 2.0%. Consumer Price Index (CPI) has been between 3.2% and 3.8% since April 2025. CPI inflation is expected to decrease to 2.5% in April 2026, falling to 1.8% by the end of the financial year.
- 2.3 The Bank of England base rate was lowered from 4.25% to 4.00% in August and then to 3.75% in December. MUFG have provided an interest rate forecast in Annex D, showing a forecast steady decrease to 3.25% at the end of the 26/27 financial year.
- 2.4 There are some significant risks that could impact these forecasts. There are geo-political risks of ongoing conflicts, with a potential impact on oil prices and therefore an upside risk to inflationary pressure. Labour supply shortages could lead to sticky wage growth which also has a potential impact on inflation.

Borrowing Strategy

- 3.1 The council primarily borrows to fund capital expenditure; with borrowing driven by the requirements of the approved capital investment budget. Borrowing requirements are also driven by the increasing Dedicated Schools Grant (DSG) deficit. The objective of the borrowing strategy is to manage the risk of current and potential future debt.
- 3.2 The council is not permitted to borrow to invest for the primary purpose of financial return.
- 3.3 This strategy serves to balance the affordability of loan interest payments from the revenue budget with the long-term stability of the debt portfolio. The strategy aims to achieve a low and certain cost of finance whilst retaining flexibility should financing requirements change in the future. The council will minimise cash balances by utilising internal borrowing where possible.
- 3.4 The Public Works Loan Board (PWLB) is the preferred route for borrowing across the local government sector. If borrowing is required, then the council will favour short term loans because the interest rates on long term loans are relatively high (PWLB 25-year rate is 5.8%, see Annex D). Longer term borrowing will only be considered when interest rates are lowered. Local Authority to Local Authority borrowing will also be considered.
- 3.5 The approved sources of borrowing for the council are: -
 - Internal borrowing (reserves/balances)
 - Public Works Loan Board (PWLB)
 - UK Local Authorities
 - Any institution approved for investments (see Annual Investment Strategy section)
 - Any other bank or building society authorised to operate in the UK
 - UK public and private sector pension funds
 - Capital market bond investors
 - Local capital finance company and any other special purpose companies created to enable local authority bond issues
- 3.6 In addition, capital finance may be raised by the following methods that are not borrowing:-
 - Leases
 - Hire purchase arrangements
 - Private Finance Initiatives
 - Sale and leaseback arrangements
- 3.7 The council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement) has not been fully funded with loan debt, as cash supporting the council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer term dated borrowing rates are expected to fall from their current levels.
- 3.8 PWLB permits the repayment of loans before maturity by either paying a premium or receiving a discount according to a set formula based on current interest rates. This option will be kept under review and will be considered where this is expected to lead to an overall saving or reduction in risk.
- 3.9 The interest on the LOBO loans becomes due every 6 months. At this point, the lender has the option of increasing the interest rate, and the borrower can accept the interest rate increase, or pay back the loans.

- 3.10 As at 31 October 2025, the council manages current loan debt of £135.5 million, which is detailed in Annex A (treasury portfolio) and Annex B (borrowing maturity profile). This comprises £123.5 million of Public Works Loan Board (PWLB) loans, which are all fixed interest long term loans, and £12.0 million Lender Option Borrower Option (LOBO) loans.
- 3.11 The council borrowing is forecast to be £161.4 million at 31 March 2026. This is expected to increase to £225.8 million by 31 March 2027. The estimated movement of £64.4 million in 2026/27 is represented by additional prudential borrowing to fund capital spend of £52.2 million, additional prudential borrowing to fund DSG of £19.9 million less £7.7 million principal repayments.

Investment Strategy

- 4.1 The objective of the investment strategy is to ensure prudence is applied and risks are managed when the council holds surplus funds (income received in advance of expenditure).
- 4.2 The council will primarily consider security (protecting the capital sum invested from loss) and liquidity (ensuring the funds are available for expenditure when needed) before yield. For 2026/27 the council will continue to focus on Money Market Funds (MMF) which are liquid, diverse and spread the credit risk. There are currently relatively high rates of interest to be gained on MMFs, whilst keeping the risk levels at an appropriate level. The council will supplement this with some fixed term deposits with varying maturity lags to maximise returns during a period of interest rate cuts.
- 4.3 The council applies the credit worthiness service provided by MUFG. This service employs a modelling approach utilising credit ratings from three main credit rating agencies (Fitch, Moody's and Standard & Poor's). This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system to which MUFG allocate a series of colour coded bands with suggested maximum durations for investments.
- 4.4 Typically, the minimum credit ratings criteria the council use will be short-term rating (Fitch or equivalents) of F1 and a long term rating of A-. There may be occasions when the counterparty ratings from one agency are marginally lower than these ratings but still may be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.
- 4.5 The council has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of AA- (Fitch or equivalents). If investments are to be made overseas, then approval ahead of the investment being made is required from the Chief Finance Officer. Santander UK plc (a subsidiary of Spain's Banco Santander) and Clydesdale Bank plc (a subsidiary of National Australia Bank) will be classed as UK banks due to their substantial franchises and the arms-length nature of the parent-subsidary relationship.
- 4.6 Investment limits for approved counterparties are detailed in the table below for specified investments. Specified investments are those denominated in pound sterling, due to be repaid within 12 months, not defined as capital expenditure and invested in UK government/Local Authority/a high credit quality investment scheme (A- UK domiciled or AA- non-UK domiciled).

Table 1 Investment limits for approved counterparties

Counterparty	Investment type	Rating	£ limit	Time limit
Banks and Building societies	Term deposits, certificate of deposit or corporate bond	Yellow Purple Orange Blue Red Green No colour	£5m £5m £5m £5m £5m £5m £nil	5 years 2 years 1 year 1 year 6 months 100 days None
Council's banker			£5m	Liquid
Debt Management Account Deposit Facility (DMADF)	DMADF account	UK sovereign	Unlimited	6 months
UK Government	UK gilts or Treasury bills	UK sovereign	Unlimited	364 days
Multilateral development banks	Bonds	AAA	£5m	Liquid
Local Authorities	Term deposits	n/a	£10m	1 year
Money Market Funds (MMF)	MMF	AAA	£10m	Liquid
Pooled funds	Pooled funds		£5m per fund	

- 4.7 Investment limits are detailed in the table below for non-specified investments. Non-specified investments are those that do not meet the definition of specified investments, for the council, this means those longer than 12 months.

Table 2 Investment limits for non-specified investments

Investment type	£ limit
Total long term investments	£5m
Total investments with unrecognised credit ratings	£5m
Total non-specified investments	£10m

- 4.8 The council will take an active approach to invest in environmental, social and governance (ESG) entities, but this will be a secondary consideration to security, liquidity and yield.
- 4.9 As at 31 October 2025, the council has £55.7 million of investments, spread across banks and MMFs. This current investment portfolio is detailed in Annex A.

Annual Minimum Revenue Provision Statement

- 5.1 Where the council 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 notional repayment of debt is known as Minimum Revenue Provision (MRP). The Local Government Act 2003 requires the council to have regard to the MHCLG guidance on MRP most recently issued in 2024. The broad aim of the guidance is to ensure that a prudent provision is made to enable debt to be repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.
- 5.2 MRP is based on the Capital Financing Requirement (CFR). This is a measure of all capital expenditure that has not yet been funded by capital or revenue resources. The elements of the council's CFR are listed in table 3 below.

Table 3 CFR calculation

CFR element	Indicative 1 April 2026 £000	Included in MRP charge
Supported borrowing pre 2017/18	96,325	Yes
Prudential borrowing related to the capital programme spend	205,555	Yes
Leases capitalised under IFRS 16	2,530	Yes
Private Finance Initiatives	44,985	Yes
Adjustment A (historic adjustment from initial statutory guidance)	3,060	No – exclusion permitted under paragraph 47 of statutory guidance
Loan debtor adjustments from waste loan repayments treated as capital	(17,438)	No – exclusion permitted under paragraph 71 of statutory guidance
	335,017	

- 5.3 The MRP policy is to charge on an annuity basis at a rate of 4% of the applicable components of CFR on an asset-by-asset basis. No MRP is charged in year of addition. For leases and private finance initiatives the MRP charge is equal to the reduction in the liability for that year. There have been no changes to the policy from 2025/26.
- 5.4 There is no planned voluntary overpayment of MRP for 2026/27.
- 5.5 In line with the guidance, the policy for the 2026/27 calculation of MRP is as follows:

Table 4 MRP methodology and charge

	MRP methodology	Indicative MRP charge 2026/27 £000
Supported borrowing	Annuity basis at rate of 4%	965
Prudential borrowing	Annuity basis at rate of 4%	11,244
Subtotal		12,209
Finance leases and private finance initiatives	Equal to value of payments that reduce the liability each year	3,999
Total		16,208

ANNEX A Treasury Portfolio

The table below shows the treasury investment and borrowing positions as at 31 March 2025 and 31 October 2025.

Table 5 Treasury portfolio

Treasury investments	31 March 25 £000	31 March 25 %	31 Oct 25 £000	31 Oct 25 %
Banks	-	-	5,000	9%
Banks – ESG “green” deposits	5,000	12%	-	-
Local authorities	5,000	12%	-	-
Money market funds	31,610	76%	50,740	91%
Total treasury investments	41,610	100%	55,740	100%

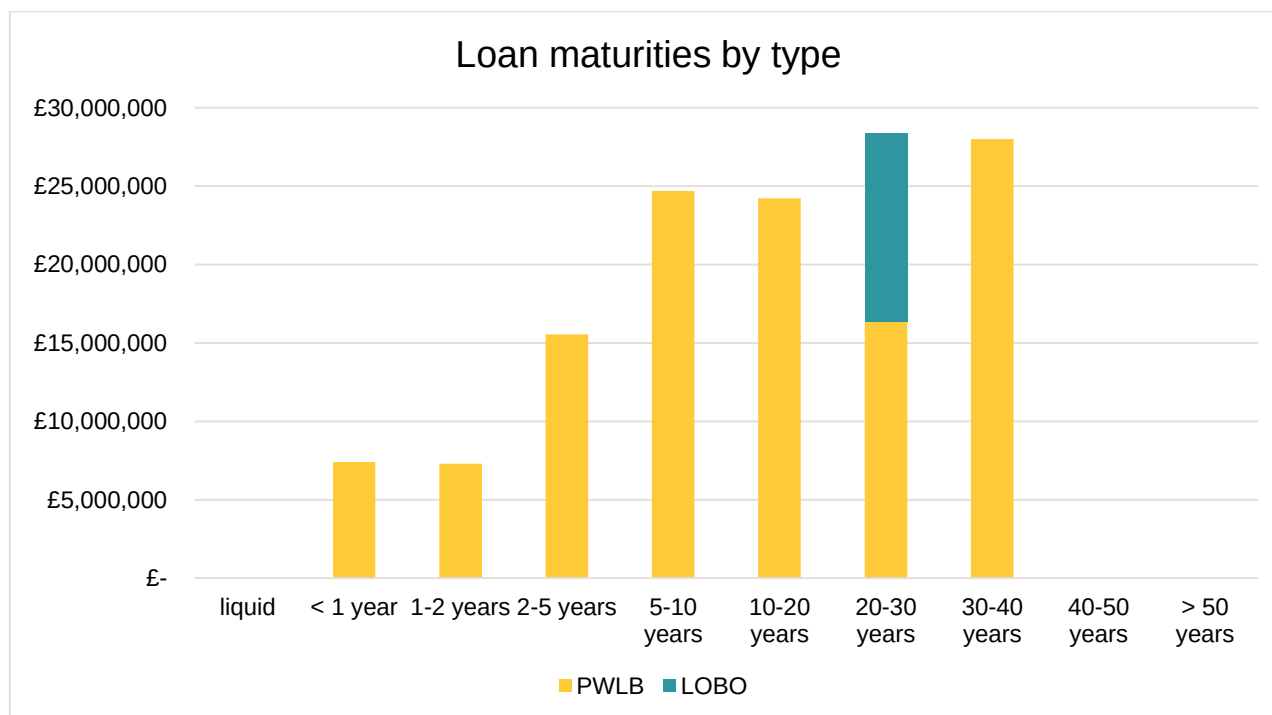
Treasury borrowing	31 March 25 £000	31 March 25 %	31 Oct 25 £000	31 Oct 25 %
Public Works Loan Board (PWLB)	(125,501)	91%	(123,547)	91%
Lender Option Borrower Option (LOBO)	(12,000)	9%	(12,000)	9%
Total treasury borrowing	(137,501)	100%	(135,547)	100%

Net treasury investments/(borrowing)	(95,891)	-	(79,807)	-
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ANNEX B Borrowing Maturity Profile

The chart below shows when each loan matures over the next 50 years. The green block represents the LOBO loans, and the orange blocks represent PWLB loans.

Chart 1 Loan maturity profile



ANNEX C Prudential and Treasury Indicators

Background

- 1.1 The Local Government Act 2003 requires local authorities to have regard to CIPFA'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 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.
- 1.2 To demonstrate that the council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored. The indicators set out parameters within which the council should operate to ensure the objectives of the Prudential Code are met.

Indicator 1: Estimates of capital expenditure

- 2.1 The Prudential Code requires local authorities to make reasonable estimates of the total capital expenditure that it plans to incur during the forthcoming financial year and at least the following two financial years, as well as actual capital expenditure for the previous financial year.
- 2.2 The actual amount of capital expenditure that was incurred during 2024/25, the forecast amount for 2025/26 and the estimated amounts for 2026/27 plus two further years, based on the current approved capital programme, are noted in Table 6 below. This excludes the financing need for other long-term liabilities, such as PFI and leasing arrangements that already include borrowing instruments.

Table 6 Estimates of capital expenditure and funding

	2024/25 actual £000	2025/26 forecast £000	2026/27 estimate £000	2027/28 estimate £000	2028/29 estimate £000
Capital expenditure	74,078	107,178	146,940	102,117	60,023
Grants, contributions and capital receipts	50,864	77,174	94,773	58,392	39,885
Prudential borrowing	23,214	30,004	52,167	43,725	20,138
Total funding	74,078	107,178	146,940	102,117	60,023

Indicator 2: Capital financing requirement

- 3.1 The Prudential Code requires local authorities to make reasonable estimates of the total capital financing requirement at the end of the forthcoming financial year and the following two years, as well as the actual capital financing requirement for the previous financial year.
- 3.2 The capital financing requirement (CFR) measures the council's underlying need to borrow for a capital purpose. It represents the capital expenditure not financed by capital receipts, capital grants, contributions or a direct revenue charge. The actual CFR for

2024/25, the forecast amount for 2025/26 and the estimated amounts for 2026/27 plus two further years are noted in Table 7 below. The CFR includes other long-term liabilities, such as PFI and leasing arrangements. However, the Authority is not required to separately borrow for these because they already include a borrowing facility.

Table 7 Capital financing requirement

	2024/25 actual £000	2025/26 forecast £000	2026/27 estimate £000	2027/28 estimate £000	2028/29 estimate £000
CFR excluding PFI	269,436	287,502	326,635	356,528	362,317
PFI and finance leases	51,128	47,515	43,784	39,753	35,321
Total CFR	320,564	335,017	370,419	396,281	397,638

Indicator 3: Gross debt and the capital financing requirement

- 4.1 The Prudential Code requires local authorities to ensure that the total gross 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.
- 4.2 This indicator monitors the requirement for debt not to exceed the CFR. The actual ratio for 2024/25, the forecast amount for 2025/26 and the estimated amounts for 2026/27 plus two further years. The ratio of gross debt to CFR is below 100% for each of the disclosed years, confirming that gross debt does not exceed CFR, and that the council is operating within the parameters as set out in the Prudential Code. The impact of IFRS 16 has been included in these figures.

Table 8 Ratio of gross debt to CFR

	2024/25 actual £000	2025/26 forecast £000	2026/27 estimate £000	2027/28 estimate £000	2028/29 estimate £000
External borrowing debt	138,792	161,397	225,753	277,352	307,222
PFI and finance lease debt	47,800	43,979	39,980	35,754	31,275
Total gross debt	186,592	205,376	265,733	313,106	338,497
CFR	320,564	335,017	370,419	396,281	397,638
Ratio of gross debt to CFR	58%	61%	72%	79%	85%

Indicator 4: Authorised limit for external debt

- 5.1 The Prudential Code requires local authorities to set an authorised limit for its gross external debt for the forthcoming financial year and the following two years.
- 5.2 The authorised limit represents an upper limit of borrowing that the council can legally owe. The actual limit for 2024/25, the forecast amount for 2025/26 and the estimated amounts for 2026/27 plus two further years. By comparing the gross debt figures in table 8 to the authorised limits in table 9, it is confirmed that the council is operating within the parameters as set out in the Prudential Code.

Table 9 Authorised limit

	2024/25 actual £000	2025/26 forecast £000	2026/27 estimate £000	2027/28 estimate £000	2028/29 estimate £000
External borrowing	350,000	350,000	388,000	411,000	411,000
Other long term liabilities	70,000	70,000	70,000	70,000	70,000
Total authorised limit	420,000	420,000	458,000	481,000	481,000

Indicator 5: Operational boundary for external debt

- 6.1 The Prudential Code requires local authorities to set an operational boundary for its gross external debt for the forthcoming financial year and the following two years.
- 6.2 The operational boundary is the limit beyond which external debt is not normally expected to exceed and provides a parameter to monitor day to day treasury management activity. The actual limit for 2024/25, the forecast amount for 2025/26 and the estimated amounts for 2026/27 plus two further years. By comparing the gross debt figures in table 8 to the operational boundaries in table 10, it is confirmed that the council is operating within the parameters as set out in the Prudential Code.

Table 10 Operational boundary

	2024/25 actual £000	2025/26 forecast £000	2026/27 estimate £000	2027/28 estimate £000	2028/29 estimate £000
External borrowing	340,000	340,000	376,000	398,000	398,000
Other long term liabilities	60,000	60,000	60,000	60,000	60,000
Total operational boundary	400,000	400,000	436,000	458,000	458,000

Indicator 6: Ratio of financing costs to net revenue stream

- 7.1 The Prudential Code requires local authorities to estimate the proportion of financing costs to net revenue stream for the forthcoming financial year and the following two years, as well as actual figures for the previous financial year.
- 7.2 This ratio highlights the proportion of the revenue budget required to meet financing costs and is an indicator of the affordability of borrowing. The actual limit for 2024/25, the forecast amount for 2025/26 and the estimated amounts for 2026/27 plus two further years. The calculated ratios of between 10% and 15% confirm that the council's borrowing is currently considered to be affordable.

Table 11 Ratio of financing costs to net revenue stream

	2024/25 actual £000	2025/26 forecast £000	2026/27 estimate £000	2027/28 estimate £000	2028/29 estimate £000
MRP	12,845	15,106	16,208	17,227	18,828
Interest payable	7,721	9,011	12,252	14,561	16,340
Total financing costs	20,566	24,117	28,460	31,788	35,168
Net revenue stream	202,904	201,827	234,120	238,331	242,359
Ratio of financing costs to net revenue stream	10%	12%	12%	13%	15%

Indicator 7: Maturity structure of borrowing

- 8.1 The council sets upper and lower limits for the maturity structure of its borrowing to mitigate against the risk of exposure to interest rate fluctuations on debt refinancing. The table below shows the upper limit, the lower limit, the actual level for 2024/25 and the forecast level for 2025/25. This confirms that the council is operating within the lower and upper limit.

Table 12 Maturity structure of borrowing

	2024/25 actual %	2025/26 forecast %	Lower limit %	Upper limit %
Under 12 months	5%	6%	0%	10%
Between 12 months and 24 months	6%	5%	0%	10%
Between 24 months and 5 years	7%	9%	0%	25%
Between 5 years and 10 years	21%	19%	0%	35%
10 years and above	61%	61%	0%	80%
	100%	100%		

Indicator 8: Upper limit of investments over 364 days

- 9.1 The council sets an upper limit for total principal sums invested over 364 days to mitigate against the risk of exposure to loss due to early repayment requirements. The actual limit for 2024/25, the forecast amount for 2025/26 and the estimated amounts for 2026/27 plus two further years. This is monitored through-out the year in day-to-day treasury management activity.

Table 13 Upper limit of investments over 364 days

	2024/25 actual £000	2025/26 forecast £000	2026/27 estimate £000	2027/28 estimate £000	2028/29 estimate £000
Upper limit	5,000	5,000	5,000	5,000	5,000

Indicator 9: Ratio of net commercial and service investments income to net revenue stream

- 10.1 The Prudential Code requires local authorities to estimate the proportion of net income from commercial and service investments to net revenue stream for the forthcoming financial year and the following two years, as well as actual figures for the previous financial year.
- 10.2 This ratio highlights the proportion of the revenue income budget reliant on commercial income. The actual limit for 2024/25, the forecast amount for 2025/26 and the estimated amounts for 2026/27 plus two further years. The calculated ratios of 1% confirm that the council is not over reliant on this income.

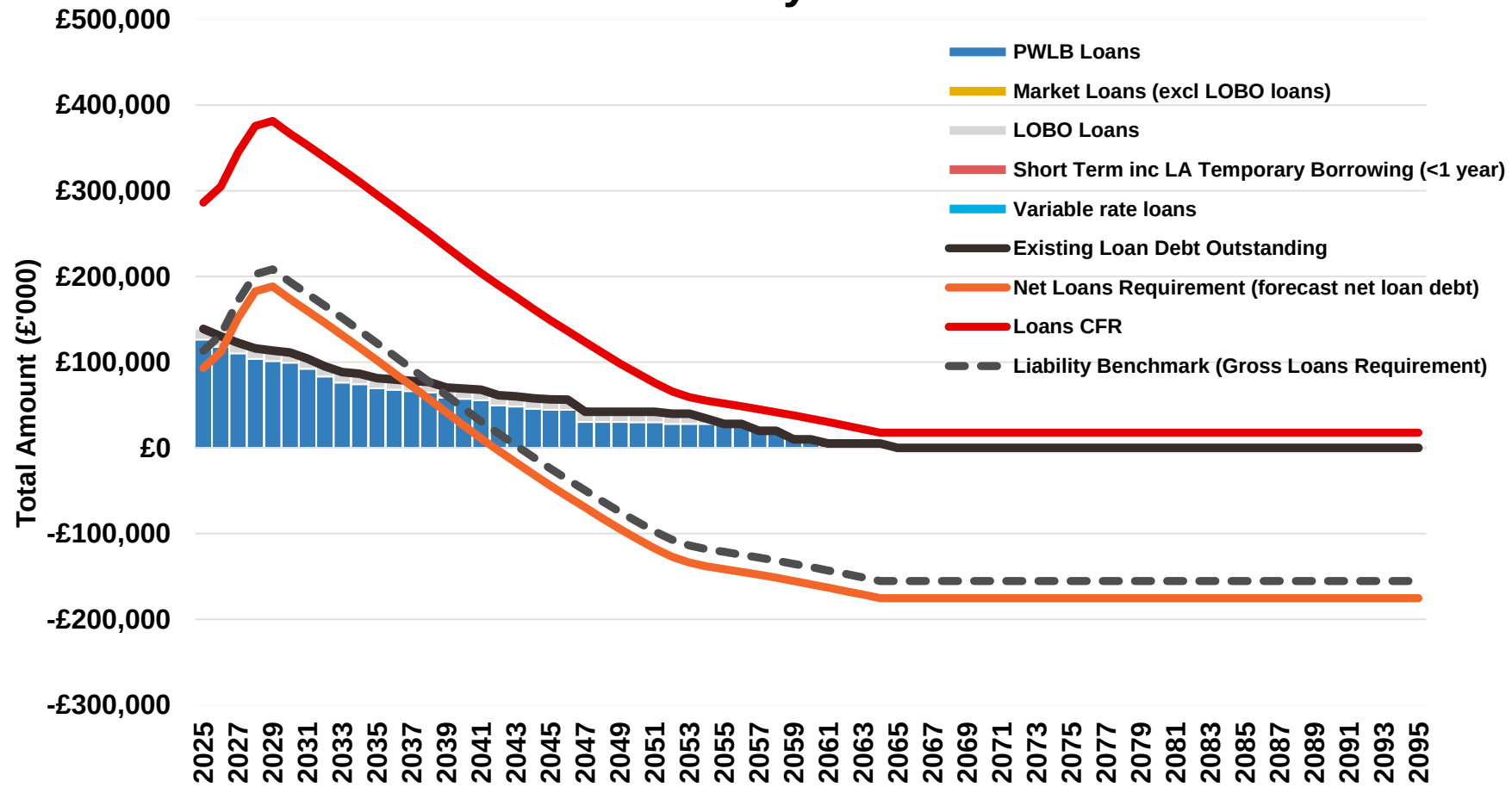
Table 14 Ratio of net commercial and service investments income to net revenue stream

	2024/25 actual £000	2025/26 forecast £000	2026/27 estimate £000	2027/28 estimate £000	2028/29 estimate £000
Total net income from commercial and service investments	2,744	2,808	2,892	2,979	3,068
Net revenue stream	202,904	201,827	234,120	238,331	242,359
Ratio of commercial income to net revenue stream	1%	1%	1%	1%	1%

Indicator 10: Liability benchmark

- 11.1 The liability benchmark provides a measure of how well the existing loans portfolio matches planned borrowing needs for capital. It is calculated by deducting investable resources on the balance sheet from the outstanding debt liability, adjusting for a minimum investment allowance. A borrowing requirement is anticipated where the liability benchmark (grey dotted line) is greater than the existing debt.
- 11.2 The existing loans portfolio is shown on the chart below as blue and grey bar charts. The liability benchmark is the grey dotted line. By comparing these, it can be seen that the council is under-borrowed in the short term, meaning that it is utilising its strong balance sheet position instead of increasing loan debt. The gap between the black line (total existing loans) and the grey dotted line (the liability benchmark/gross loans requirement) shows the additional borrowing need for the current approved capital commitments.

Liability Benchmark





ANNEX D Interest Rate Forecast

MUFG provide the council with interest rate forecasts as part of their advisory role. The following forecasts for the bank base rate and Public Works Loan Board (PWLB) rates were provided on 22 December 2025.

Table 15 MUFG interest rate forecasts

	Mar 26	Jun 26	Sep 26	Dec 26	Mar 27	Jun 27	Sep 27	Dec 27	Mar 28	Jun 28	Sep 28	Dec 28	Mar 29
Bank base rate %	3.75	3.50	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
PWLB 5 year rate %	4.60	4.50	4.30	4.20	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10
PWLB 10 year rate %	5.20	5.00	4.90	4.80	4.80	4.70	4.70	4.70	4.70	4.60	4.60	4.60	4.70
PWLB 25 year rate %	5.80	5.70	5.60	5.50	5.50	5.40	5.30	5.30	5.30	5.20	5.20	5.20	5.20
PWLB 50 year rate %	5.60	5.50	5.40	5.30	5.30	5.20	5.10	5.10	5.10	5.00	5.10	5.00	5.00

ANNEX E Treasury Management Policy Statement

Statement of Purpose

- 1.1 Herefordshire Council adopts the recommendations made in CIPFA's Treasury Management in the Public Services: Code of Practice guidance, which was revised in 2021. The council adopts the following key principles and clauses.

Key Principles

- 2.1 Herefordshire Council adopts the following three key principles (identified in Section 4 of the Code):
- The council will put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of its treasury management activities.
 - The council will ensure that its policies and practices make clear that the effective management and control of risk are prime objectives of its treasury management activities and that responsibility for these lies clearly with the council. In addition, the council's appetite for risk will form part of its annual strategy and will ensure that priority is given to security and portfolio liquidity when investing treasury funds.
 - The council acknowledges that the pursuit of value for money in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of business and service objectives, and that within the context of effective risk management, the council's treasury management policies and practices should reflect this.

Adopted Clauses

- 3.1 Herefordshire Council formally adopts the following clauses (identified in Section 5 of the code):
- The council will create and maintain, as the cornerstones for effective treasury management:
 - A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities.
 - Suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of the council. Such amendments will not result in the organisation materially deviating from the Code's key principles.

- Full council will receive reports on its treasury management policies, practices and activities, including, as a minimum, 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 TMPs.
- The responsibility for the implementation and regular monitoring of treasury management policies and practices is delegated to Cabinet and for the execution and administration of treasury management decisions to the Director of Resources and Assurance, who will act in accordance with the organisation's policy statement

and TMPs and, if they are a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

- The council nominates Scrutiny Management Board to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

Definition of Treasury Management

4.1 Herefordshire Council 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 risks.'

Policy Objectives

- 5.1 Herefordshire Council 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 council, and any financial instruments entered into to manage these risks.
- 5.2 Herefordshire Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

Non-treasury investments

- 6.1 Herefordshire Council 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.
- 6.2 Herefordshire Council will ensure that all investments in the capital programme will set out, where relevant, the risk appetite and policy and arrangement for non-treasury investments. The risk appetite for these activities may differ from that of treasury management.
- 6.3 Herefordshire Council will maintain a schedule setting out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the organisations risk exposure within its annual statement of accounts.

