

16 February 2026

Dear Members

Council Meeting

I hereby give notice that a meeting of the Council will be held in the **Council Chamber, County Buildings, Martin Street, Stafford** on **Tuesday 24 February 2026 at 7.00pm** to deal with the business as set out on the agenda.



Tim Clegg
Chief Executive

COUNCIL MEETING - 24 FEBRUARY 2026

Mayor, Councillor Jenny Barron

AGENDA

- 1 Approval of the Minutes of the meeting of Council held on 10 February 2026 as published on the Council's website.
- 2 Apologies for Absence
- 3 Declarations of Interest
- 4 Announcements (Paragraph 3.2(iii) of the Council Procedure Rules)
- 5 Public Question Time - Nil
- 6 Councillor Session - Nil
- 7 Notice of Motion - Nil
- 8 To receive Nominations for the Offices of Mayor and Deputy Mayor for the Municipal Year 2026/27

		Page Nos
9	Council Tax Resolution 2026/27	To Follow
	In accordance with Paragraph 17.4(c) of the Council Procedure Rules, a recorded vote will be taken for the above item	
10	Treasury Management Strategy, Minimum Revenue Provision Policy, Annual Investment Strategy 2026/27	3 - 41
11	Local Council Tax Reduction Scheme 2026-2027	To Follow
12	Localism Act 2011 - Pay Policy Statement 2026-27	42 - 54
13	Any items referred from Scrutiny Committee(s)	-

Chief Executive

Civic Centre
Riverside
Stafford
ST16 3AQ

Agenda Item 10**Treasury Management Strategy,
Minimum Revenue Provision Policy,
Annual Investment Strategy 2026/27**

Committee:	Council
Date of Meeting:	24 February 2026
Report of:	S151 Officer and Deputy Chief Executive
Portfolio:	Resources Portfolio

The following matter was considered by Audit and Accounts Committee at its meeting on 23 February 2026 and is submitted to Council as required.

1 Purpose of Report

1.1 This report is presented to obtain the Council's approval to:

- Prudential and Treasury Indicators - To set indicators to ensure that the capital investment plans of the Authority are affordable, prudent and sustainable;
- The Annual Minimum Revenue Provision (MRP) Policy for 2026/27.
- Treasury Management and Investment Strategy for 2026/27 - To set treasury limits for 2026/27 to 2028/29 and to provide a background to the latest economic forecasts of interest rates, and to set out the strategy of investment of surplus funds.

2 Recommendations

2.1 That the following be approved:

- The Prudential and Treasury Indicators;
- The Annual Minimum Revenue Provision (MRP) Statement for 2026/27;
- The Treasury Management Policy and Annual Investment Strategy for 2026/27.

Reasons for Recommendations

- 2.2 To note that indicators may change in accordance with the final recommendations from Cabinet to Council's in relation to both the General Fund Revenue Budget and the Capital Programme.

3 Key Issues

- 3.1 The Council is required to approve its treasury management, investment and capital strategies to ensure that cash flow is adequately planned and that surplus monies are invested appropriately.

4 Relationship to Corporate Priorities

- 4.1 Treasury management and investment activities are interwoven with all of the Authority's priorities and their spending plans.

5 Report Detail

Introduction

- 5.1 The Authority operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Accordingly, a significant function of Treasury Management is ensuring that cash flows are adequately planned and controlled to meet this objective. Any surplus monies are invested with low-risk counterparties and managed appropriately so that sufficient levels of liquid cash are available to meet any payment obligations as well as offer headroom for unexpected circumstances. Such considerations underpin the day-to-day operations of Treasury Management when determining investment-related outcomes rather than the sole factor of yield that aims to generate higher return on investments with little or no regards to financial risks.
- 5.2 The second main function of the Treasury Management service is the funding of the Authority's capital plans. These capital plans provide a guide to the borrowing need of the Authority, essentially the longer-term cash flow planning to ensure the Authority can meet its capital spending operations. This management of longer-term cash may involve arranging long or short-term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Authority risk or cost objectives.

- 5.3 The contribution the treasury management function makes to the Authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.
- 5.4 CIPFA defines treasury management as:
- “The management of the local authority’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.”
- 5.5 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.
- 5.6 This Authority has not engaged in any commercial investments and has no non-treasury investments.

Reporting Requirements

Capital Strategy

- 5.7 The CIPFA 2021 Prudential and Treasury Management Codes require all Local Authorities to prepare a Capital Strategy report which will provide the following:
- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
 - an overview of how the associated risk is managed
 - the implications for future financial sustainability
- 5.8 The aim of this capital strategy is to ensure that all elected Members on the Full Council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

- 5.9 The Capital Strategy is in the process of being updated and will then come to a Cabinet and Council meeting for adoption.

Treasury Management reporting

- 5.10 The Authority is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

- 5.11 **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report covers:

- the capital plans (including Prudential Indicators);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the Treasury Management and Investment Strategy (how the investments and borrowings are to be organised and investments are to be managed) including treasury indicators.

- 5.12 **A mid-year treasury management report** - This is primarily a progress report and will update members on the capital position, amending Prudential Indicators as necessary, and whether any policies require revision.

- 5.13 **An annual treasury report** - This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

- 5.14 **Scrutiny** - The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Audit and Accounts Committee.

- 5.15 The Authority has adopted the following reporting arrangements in accordance with the requirements of the CIPFA Code of Practice:

Area of Responsibility	Council/Committee	Frequency
Treasury Management Strategy/ Annual Investment Strategy/ MRP policy	Full Council	Annually in January/February each year
Treasury Management Strategy/ Annual Investment Strategy/ MRP policy/Monitoring of Prudential Indicators	Full Council	Mid-year
Treasury Management Strategy/ Annual Investment Strategy/ MRP policy - updates or revisions at other times	Full Council	As required
Annual Treasury Outturn Report	Audit and Accounts Committee and Council	Annually by 30 September after the end of the year
Scrutiny of treasury management strategy	Audit and Accounts Committee	Annually in February before the start of the year

Training

- 5.16 The CIPFA Treasury Management Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.
- 5.17 Furthermore, pages 47 and 48 of the Code state that they expect “all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

- 5.18 The scale and nature of this will depend on the size and complexity of the organisation's treasury management needs. Organisations should consider how to assess whether treasury management staff and board/Authority members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.
- 5.19 As a minimum, authorities should carry out the following to monitor and review knowledge and skills:
- Record attendance at training and ensure action is taken where poor attendance is identified.
 - Prepare tailored learning plans for treasury management officers and board/Council members.
 - Require treasury management officers and board/Council members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the organisation).
 - Have regular communication with officers and board/Council members, encouraging them to highlight training needs on an ongoing basis.
- 5.20 In further support of the revised training requirements, CIPFA's Better Governance Forum and Treasury Management Network have produced a 'self-assessment by members responsible for the scrutiny of treasury management', which is available from the CIPFA website to download.
- 5.21 Training is planned to be delivered over the next twelve months.

Treasury Management Consultants

- 5.22 The Authority uses Arlingclose as its external treasury management advisors.
- 5.23 The Authority recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.
- 5.24 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Authority will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

External Context

- 5.25 **Economic background:** The most significant impacts on the Authority's treasury management strategy for 2026/27 are expected to include: the influence of the government's 2025 Autumn Budget, lower short-term interest rates alongside higher medium- and longer-term rates, slower economic growth, together with ongoing uncertainties around the global economy, stock market sentiment, and geopolitical issues.
- 5.26 The Bank of England's (BoE's) Monetary Policy Committee (MPC) cut Bank Rate to 3.75% in December 2025, as expected. The vote to cut was 5-4, with the minority instead favouring holding rates at 4.0%. Those members wanting a cut judged that disinflation was established while those preferring to hold Bank Rate argued that inflation risks remained sufficiently material to leave rates untouched at this stage.
- 5.27 Figures from the Office for National Statistics showed that the UK economy expanded by 0.1% in the third quarter of the calendar year, this was unrevised from the initial estimate. The most recent Monetary Policy Report (November) projected modest economic growth, with GDP expected to rise by 0.2% in the final calendar quarter of 2025. Annual growth is forecast to ease from 1.4% before improving again later, reflecting the delayed effects of lower interest rates, looser monetary conditions, stronger global activity, and higher consumer spending. The view of modest economic growth going forward was echoed by the Office for Budget Responsibility in its Economic and fiscal outlook published in line with the Autumn Statement which revised down its estimate of annual real GDP to around 1.5% on average between 2025 and 2030.
- 5.28 CPI inflation was 3.2% in November 2025, down from 3.6% in the previous month and below the 3.5% expected. Core CPI eased to 3.2% from 3.4%, contrary to forecasts of remaining at 3.6%. Looking forward, the MPC continues to expect inflation to fall, to around 3% in calendar Q1 2026, before steadily returning to the 2% target by late 2026 or early 2027.
- 5.29 The labour market continues to ease with rising unemployment, falling vacancies and flat inactivity. In the three months to October 2025, the unemployment rate increased to 5.1%, higher than the level previously expected by the BoE, while the employment rate slipped to 74.9%. Pay growth for the same period eased modestly, with total earnings (including bonuses) growth at 4.7% and while regular pay was 4.6%.

- 5.30 The US Federal Reserve also continued to cut rates, including reducing the target range for the Federal Funds Rate by 0.25% at its December 2025 meeting, to 3.50%-3.75%, in line with expectations. The minutes of the meeting noted that most Fed policymakers judged that further rate cuts would be likely in 2026 if inflation continues to ease, however they were still divided in their assessment of the risks between inflation and unemployment.
- 5.31 The European Central Bank (ECB) kept its key interest rates unchanged in December for a fourth consecutive meeting, maintaining the deposit rate at 2.0% and the main refinancing rate at 2.15%. The ECB maintained that future policy decisions will remain data-dependent, that inflation is close to its 2% target and that the euro area economy continues to expand despite a challenging global environment, including heightened geopolitical risks and trade tensions.
- 5.32 **Credit outlook:** Credit Default Swap (CDS) prices, which spiked in April 2025 following President Trump's 'Liberation Day' tariff announcements, have since trended lower, returning to levels broadly consistent with their 2024 averages. Although CDS prices rose modestly during October and November, the overall credit outlook remains stable, and credit conditions are expected to remain close to the range seen over the past two years.
- 5.33 While lower interest rates may weigh on banks' profitability, strong capital positions, easing inflation, steady economic growth, low unemployment, and reduced borrowing costs for households and businesses all support a favourable outlook for the creditworthiness of institutions on (the authority's treasury management advisor) Arlingclose's counterparty list. Arlingclose's advice on approved counterparties and recommended investment durations is kept under continuous review and will continue to reflect prevailing economic and credit conditions.
- 5.34 **Interest rate forecast (22 December 2025):** Arlingclose, the Authority's treasury management adviser, currently forecasts that the BoE's MPC will continue to reduce Bank Rate in 2026, reaching around 3.25%. This forecast reflects amendments made following the Autumn Budget and an assessment of the fiscal measures and their market implications, and following the Committee's meeting held on 18 December.
- 5.35 Long-term gilt yields, and therefore interest rates payable on long-term borrowing, are expected to remain broadly stable on average, though with continued volatility, and to end the forecast period marginally lower than current levels. Yields are likely to stay higher than in the pre-quantitative tightening era, reflecting ongoing balance sheet reduction and elevated bond issuance. Short-term fluctuations are expected to persist in response to economic data releases and geopolitical developments.

- 5.36 A more detailed economic and interest rate forecast provided by Arlingclose is in Appendix 1.
- 5.37 For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate/yield of 2.78%, and the Authority has no borrowing requirement for 2026/27 so the average rate of borrowing is assumed to be 0%.

Local Context

The Capital Prudential Indicators 2026/27 - 2028/29

- 5.38 The Authority's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in Prudential Indicators, which are designed to assist members' overview and confirm capital expenditure plans.

Capital expenditure

- 5.39 This Prudential Indicator is a summary of the Authority's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts, which include a review of current schemes together with the continuation of the applicable rolling programme schemes, but to note these may change as part of the scrutiny process and finalisation of the Budget.
- 5.40 Any change to the forecast and any new growth bids will be separately identified in future Budget Reports and reflected in this indicator as reported to Full Council.

Capital Expenditure	2024/25 Actual £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000	2028/29 Estimate £'000	Unallocated £'000
Community Portfolio	2,237	2,405	1,640	1,522	1,522	3,434
Environment Portfolio	535	2,071	672	50	50	101
Leisure and Culture Portfolio	1,016	309	2,093	91	0	0
Economic Development and Planning	4,061	15,498	9,256	13,436	0	50
Resources Portfolio	248	20,835	40	0	0	80
Total	8,097	41,118	13,701	15,099	1,572	3,665

5.41 In addition to the above Capital Programme, the expenditure and borrowing of the Authority may increase as a result of match funding requirements for bids in relation to such projects like the Future High Streets Fund. Such capital schemes and business cases will be subject to reports to Cabinet and Council and their respective approvals. If a borrowing requirement emerges, the Authority shall consider the use of the Public Works Loan Board (PWLb) discount rate as well other sources of funding as prescribed below. An appraisal will be undertaken to determine and ensure that, amongst other things, any new borrowings are affordable and work within the Prudential Indicators limits before entering into such borrowing facilities.

5.42 **Other long-term liabilities** - The financing need excludes other long-term liabilities, such leasing arrangements which already include borrowing instruments.

5.43 The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Capital Expenditure	2024/25 Actual £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000	2028/29 Estimate £'000	Unallocated £'000
Total Spend	8,097	41,118	13,701	15,099	1,572	3,665

Financed by:						
Capital receipts	158	197	420	141	0	6
Capital grants/ contributions	7,094	15,247	8,712	14,958	1,572	3,528
Revenue	845	25,674	4,569	0	0	131
Net financing need for the year	0	0	0	0	0	0

- 5.44 The capital financing of the programme will similarly be reviewed as part of the Budget process and any change will be separately identified in future Budget Reports and reflected in this indicator.

The Authority's borrowing need (the Capital Financing Requirement)

- 5.45 Another Prudential Indicator is the Authority's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Authority's indebtedness and so it's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.
- 5.46 The CFR does not increase indefinitely, as the Minimum Revenue Provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life and so charges the economic consumption of capital assets as they are used.
- 5.47 The CFR includes any other long-term liabilities (e.g. finance leases). Whilst these increase the CFR, and therefore the Authority's borrowing requirement, these types of schemes include a borrowing facility by the PPP lease provider and so the Authority is not required to separately borrow for these schemes. As at the end of 2024/25, the Authority currently has £3.235m of such Finance Leases within the CFR. However, it is anticipated that this figure will rise during 2026/27 in respect of the new IFRS 16 leasing requirements. Further work will be undertaken to ensure that this is reflected in the calculations when appropriate.
- 5.48 The Council is asked to approve the following CFR projections, subject to any changes arising from the budget process:

Capital Financing Requirement (CFR)

	2024/25 Actual £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000	2028/29 Estimate £'000
Total CFR	5,259	3,922	5,448	4,960	4,505
Movement in CFR		(1,337)	1,526	(488)	(455)

Movement in CFR represented by

	2024/25 Actual £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000	2028/29 Estimate £'000
Net financing need for the year	0	0	0	0	0
Less MRP and other financing movements	1,673	(1,337)	1,526	(488)	(455)
Movement in CFR	1,673	(1,337)	1,526	(488)	(455)

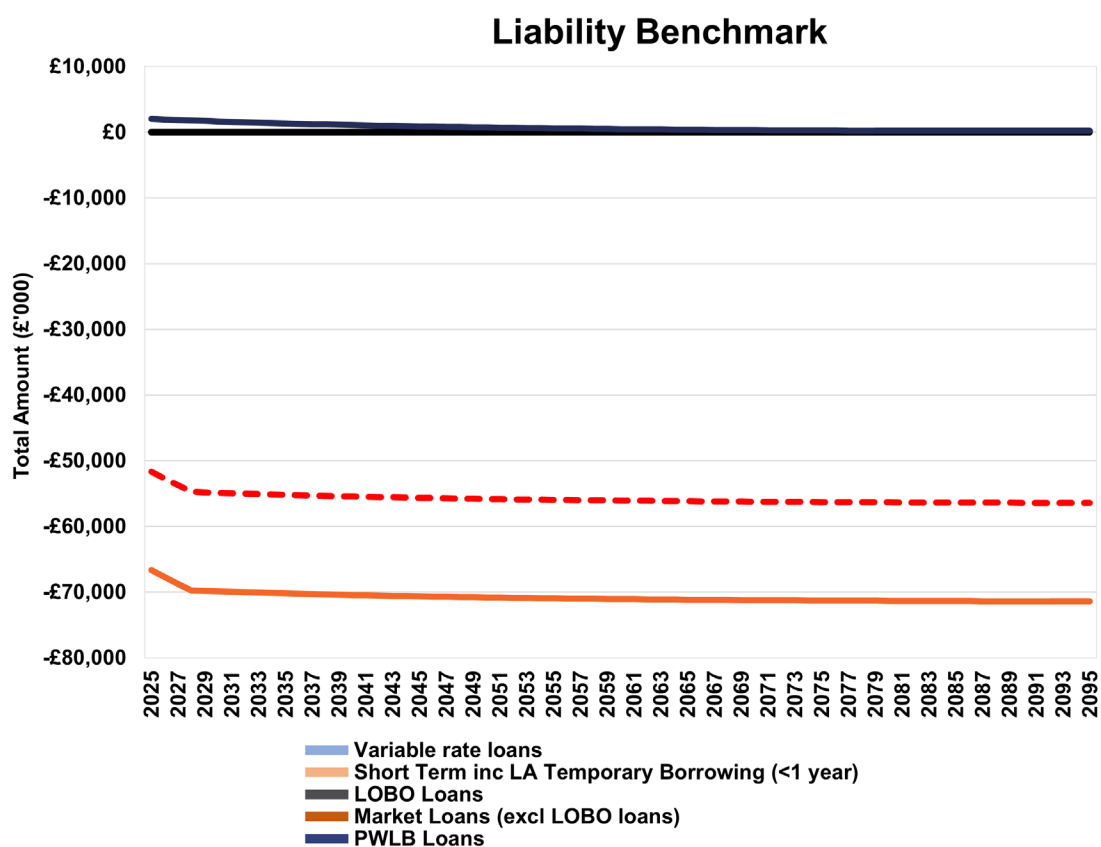
Liability Benchmark

- 5.49 To compare the Authority's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as paragraph 5.43, but that cash and investment balances are kept to a minimum level of £15m at each year-end to strike a balance between sufficient liquidity, maintaining the Authority's professional client status under Markets in Financial Instruments Directive II (MiFiD II) regulations whilst mitigating counterparty credit risk.
- 5.50 The liability benchmark is an important tool to help establish whether the Authority is likely to be a long-term borrower or long-term investor in the future and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Authority must hold to fund its current capital and revenue plans while

keeping treasury investments at the minimum level required to manage day-to-day cash flow.

	31.3.25 Actual £m	31.3.26 Estimate £m	31.3.27 Forecast £m	31.3.28 Forecast £m	31.3.29 Forecast £m
CFR	5,259	3,922	5,448	4,960	4,505
Less: Other debt liabilities*	(3,235)	(1,979)	(3,583)	(3,170)	(2,787)
Loans CFR	2,024	1,943	1,865	1,790	1,718
Less: Balance sheet resources	(68,674)	(28,620)	(21,379)	(19,756)	(21,023)
Net loans requirement	(66,650)	(26,677)	(19,514)	(17,966)	(19,305)
Plus: Liquidity allowance	15,000	15,000	15,000	15,000	15,000
Liability / (Investment) benchmark	(51,650)	(11,677)	(4,514)	(2,966)	(4,305)

* leases that form part of the Authority's total debt



- 5.51 As the Authority's Treasury position is debt-free across the entire forecast period, the Authority's Liability Benchmark is also negative across the same time horizon. This means that the Authority has an "Investment Benchmark" and therefore assumes a net investor position. As highlighted in the table above the Authority is accordingly anticipating surplus cash requiring investment. The Graph signifies that there is no present need to borrow given the Authority's current resources and capital intentions which, in turn, leads to the Loan CFR tapering to zero in the distant future.

Core funds and expected investment balances

- 5.52 The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

Year End Resources	2024/25 Actual £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000	2028/29 Estimate £'000
Fund balances / reserves	43,126	20,661	17,739	19,735	20,996
Unallocated Reserves	2,393	2,393	2,393	2,393	2,393
Capital receipts	934	754	334	187	187
Capital grants unapplied	14,551	4,524	4,261	789	795
Provisions	1,711	2,267	0	0	0
Section 106 (Other) 6000-7853	3,550	1,576	241	241	241
Section 106 (Other) Revenue	1,852	1,445	1,411	1,411	1,411
Total core funds	68,117	33,620	26,379	24,756	26,023
Working capital*	(557)	5,000	5,000	5,000	5,000
Under/over borrowing	2,024	1,943	1,865	1,790	1,718
Expected investments	66,650	26,677	19,514	17,966	19,305

*Working cashflow requirement shown are estimated year-end; these may be higher mid-year.

Minimum revenue provision (MRP) Policy Statement

- 5.53 Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Authority has financed capital expenditure by borrowing, it is required to make a provision each year through a revenue charge (the Minimum Revenue Provision - MRP).

- 5.54 The Authority is required to calculate a prudent provision of MRP which ensures that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The MRP Guidance (2024) gives four ready-made options for calculating MRP, but the Authority can use any other reasonable basis that it can justify as prudent. The Government considers that the methods of making prudent provision include the options set out in the statutory guidance. However, this does not rule out or otherwise preclude an authority from using an alternative method should it decide that is more appropriate. Any method used is subject to the conditions in paragraphs 61 to 65 of the Guidance as far as these are relevant. The MRP Policy Statement requires Full Council approval in advance of each financial year.
- 5.55 The Council is recommended to approve the following MRP Statement:
- 5.56 Under powers delegated to the Section 151 Officer, the Authority's Annual MRP provision for expenditure incurred after 1 April 2008 which forms part of supported capital expenditure will be based on either the uniform rate of 4% of the Capital Financing Requirement (CFR) or as the principal repayment on an annuity basis with an appropriate annual interest rate, starting in the year after the asset becomes operational
- 5.57 The Authority's Annual MRP provision for all unsupported capital expenditure incurred on or after 1 April 2008 will be determined by charging the expenditure over the expected useful life of the relevant asset in equal instalments or as the principal repayment on an annuity with an appropriate annual interest rate, starting in the year after the asset becomes operational.
- 5.58 Capital expenditure incurred during 2026/27 will not be subject to an MRP charge until 2027/28, or in the year after the asset becomes operational.
- 5.59 The Authority will apply the asset life method for any expenditure capitalised under a Capitalisation Direction.
- 5.60 In the case of leases where a right-of-use asset is on the balance sheet, the prudent charge to revenue can be regarded being equal to the element of the rent/charge that goes to write down the balance sheet liability. Where a lease (or part of a lease) is brought onto the balance sheet, having previously been accounted for off-balance sheet, the MRP requirement would be regarded as having been met by the inclusion in the charge for the year in which the restatement occurs, of an amount equal to the write-down for that year plus retrospective writing down of the balance sheet liability that arises from the restatement.

- 5.61 The Authority are satisfied that the policy for calculating MRP set out in this Policy Statement will result in the Authority continuing to make prudent provision for the repayment of debt, over a period that is on average reasonably commensurate with that over which the expenditure provides benefit.
- 5.62 The Section 151 Officer will, where it is prudent to do so, use discretion to review the overall financing of the Capital Programme and the opportunities afforded by the regulations, to maximise the benefit to the Authority whilst ensuring the Authority meets its duty to charge a prudent provision.
- 5.63 **Capital Loans:** Regulation 27(4) allows a local authority to exclude capital loans that are financed by debt from the requirement to make MRP, provided the loan is not a commercial loan.

A commercial loan is defined in regulation 27(5) as a loan from the authority to another entity for a purpose which, if the authority were to undertake itself, would be primarily for financial return; or, where the loan is itself capital expenditure undertaken primarily for financial return.

Local authorities must make MRP with respect to any debt used to finance a commercial capital loan.

A local authority may choose not to charge MRP in respect of the financing by debt of a loan issued by an authority to any person or body, where -

- (a) the loan is treated as capital expenditure in accordance with regulation 25(1)(b); that is to say, loans and grants towards capital expenditure by third parties.
- (b) the loan is not a commercial loan, and
- (c) the local authority has not recognised, in accordance with proper practices, any expected or actual credit loss in respect of that loan.

This Authority has not issued capital loans that are categorised as commercial and, accordingly, is not required to make MRP on this basis.

- 5.64 **Capital Receipts:** For capital expenditure on loans to third parties where the principal element of the loan is being repaid in annual instalments, the capital receipts arising from the principal loan repayments will be used to reduce the CFR instead of MRP.

Where no principal repayment is made in a given year, MRP will be charged at a rate in line with the life of the assets funded by the loan.

- 5.65 **MRP Overpayments:** Under the MRP guidance, any charges made in excess of the statutory MRP can be made, known as voluntary revenue provision (VRP).

VRP can be reclaimed in later years if deemed necessary or prudent. In order for these amounts to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year.

The Authority has previously not made any VRP overpayments.

Affordability Prudential Indicators

- 5.66 The previous sections cover the overall capital and control of borrowing Prudential Indicators, but within this framework Prudential Indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Authority's overall finances. The Council is asked to approve the following indicators:

Ratio of financing costs to net revenue stream

- 5.67 This indicator identifies the trend in the cost of capital (borrowing and other long-term obligation costs net of investment income) against the net revenue stream. The figures below show a negative ratio due to the investment income being received by the Authority on its treasury investments.

%	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Ratio of financing costs	-16.6%	-7.4%	-5.7%	-6.9%	-7.0%

Borrowing

- 5.68 The capital expenditure plans above provide details of the service activity of the Authority. The treasury management function ensures that the Authority's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Authority's Capital Strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / Prudential Indicators, the current and projected debt positions, and the Annual Investment Strategy.

Current portfolio position

- 5.69 The Authority's forward projections for borrowing are summarised below. The table shows the actual external debt against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

	2024/25 Actual £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000	2028/29 Estimate £'000
External Debt					
PWLB debt at 1 April	0	0	0	0	0
Expected change in Debt	0	0	0	0	0
Other long-term liabilities (OLTL)	1,477	3,235	1,979	3,583	3,170
Expected in-year change in OLTL	1,758	(1,256)	1,604	(413)	(383)
Actual gross debt at 31 March	3,235	1,979	3,583	3,170	2,787
The Capital Financing Requirement	5,259	3,922	5,448	4,960	4,505
Under / (over) borrowing	2,024	1,943	1,865	1,790	1,718

- 5.70 Within the range of Prudential Indicators there are several key indicators to ensure that the Authority operates its activities within well-defined limits. One of these is that the Authority needs to ensure that its gross debt does not, except in the short-term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2026/27 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.
- 5.71 The Deputy Chief Executive Resources reports that the Authority complied with this Prudential Indicator in the current year and does not envisage difficulties for the future. This view takes account of current commitments, existing plans and the proposals in this budget report.

Treasury Indicators: limits to borrowing activity

- 5.72 **The Operational Boundary.** This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational boundary	2024/25 Actual £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000	2028/29 Estimate £'000
Debt	2,385	4,943	3,865	3,790	3,718
Other long-term liabilities	3,235	1,979	3,583	3,170	2,787
Total	5,620	6,922	7,448	6,960	6,505

- 5.73 **The Authorised Limit for External Debt.** This is a key Prudential Indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by Full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

1 This is the statutory limit determined under section 3(1) of the Local Government Act 2003. The Government retains an option to control either the total of all Authority's' plans, or those of a specific Authority, although this power has not yet been exercised.

2 The Council is asked to approve the following authorised limits.

Authorised limit	2024/25 Actual £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000	2028/29 Estimate £'000
Debt	5,385	7,943	6,865	6,790	6,718
Other long-term liabilities	3,235	1,979	3,583	3,170	2,787
Total	8,620	9,922	10,448	9,960	9,505

Borrowing Strategy

- 5.74 The Authority currently is debt-free and so hold no loans. The balance sheet forecast in 5.43 shows that the Authority does not expect to need to borrow in 2026/27. The Authority may however borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £10.448m.
- 5.75 **Objectives:** The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.
- 5.76 **Strategy:** The Authority 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 Authority's reserves, balances and cash flow has been used as a temporary measure. Given the uncertainty and reductions in local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. Short-term interest rates have fallen over the past year, and are expect to fall a little further, and it is therefore likely to be more cost effective over the medium-term to either use internal resources, or to borrow short-term loans instead. The risks of this approach will be managed by keeping the Authority's interest rate exposure within the limit set in the treasury management prudential indicators, see below.
- 5.77 By adopting this approach, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk should a future borrowing occur. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2026/27 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

- 5.78 Traditionally speaking, authorities usually raise majority or all of their long-term borrowing needs from the PWLB. In addition to convention borrowing source, this Authority will consider long-term loans from other lenders. This includes banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Authority intends to avoid this activity in order to retain its access to PWLB loans.
- 5.79 Alternatively, the Authority may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.
- 5.80 In addition, the Authority may borrow short-term loans to cover unplanned cash flow shortages.
- 5.81 Any decisions will be reported to Members appropriately at the next available opportunity.
- 5.82 **Sources of borrowing:** The approved sources of long-term and short-term borrowing are:
- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
 - National Wealth Fund Ltd (formerly UK Infrastructure Bank Ltd) - where the project meets its investment principles (namely, economic regeneration and tackling climate change), the Infrastructure Bank offers loans at the relevant Gilts rate + 60 basis points (20 basis points lower than the PWLB Certainty rate) and can match the length of the loan and repayment profile to needs of the project.
 - any institution approved for investments (see below)
 - any bank, building society or insurance company authorised to operate in the UK
 - any other UK public sector body
 - UK public and private sector pension funds (except Staffordshire County Authority's Local Government Pension Scheme - Staffordshire Pension Fund)
 - capital market bond investors

- special purpose companies created to enable local authority bond issues.
- 5.83 **Other sources of debt finance:** In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:
- leasing
 - hire purchase
 - similar asset-based finance
- 5.84 **Policy on borrowing in advance of need:** The Authority will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Authority can ensure the security of such funds.
- 5.85 Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.
- 5.86 **Debt Rescheduling:** Debt rescheduling of external borrowing can help with mitigating against exposure to the risk of interest rate movements, lower the cost of servicing debt and alter the maturity profile to avoid refinancing risk.

The Authority's current debt portfolio does not consist of borrowing but of leases and, accordingly, debt rescheduling will not occur.

Treasury Investment Strategy 2026-27

- 5.87 The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's treasury investment balance has ranged between £43.4m and £79.9m, and similar levels are expected to be maintained in the forthcoming year.

- 5.88 **Objectives:** The CIPFA Code requires the Authority to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. Consistent with the spirit of the Code's treasury management practices (namely, TMP1 on credit and counterparty risk management), the Authority aims to be a responsible investor. It shall be mindful of environmental, social and governance (ESG) considerations in its decision-making outcomes. To that end, the Authority will not knowingly invest directly with financial participants whose activities and practices pose a risk of serious damage or whose activities are inconsistent with the Authority's mission and values.
- 5.89 **Strategy:** As demonstrated by the liability benchmark above, the Authority expects to be a long-term investor and treasury investments will therefore include both short-term low risk instruments to manage day-to-day cash flows and longer-term instruments where limited additional risk is accepted in return for higher investment income to support local public services.
- 5.90 **Business models:** Under the IFRS 9 standard, the accounting for certain investments depends on the Authority's "business model" for managing them. The Authority aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.
- 5.91 **Approved counterparties:** The Authority may invest its surplus funds with any of the counterparty types in table below, subject to the limits shown. This table should be read in conjunction with the notes provided.

	Counterparty limit	Time Limit (Maximum)***
The UK Government	100%	50 years
Local authorities and other government entities	£5 million	25 years
Secured investments – government collateral	£5 million	25 years
Secured investments – other collateral **	£3 million	10 years
Banks (unsecured) **	£6 million	13 months
Building societies (unsecured) **	£6 million	13 months
Registered providers (unsecured) **	£3 million	5 years
Money market funds **	£9 million	n/a
Strategic pooled funds	£3 million	n/a
Real estate investment trusts	£3 million	n/a
Other investments **	£5 million	5 years

* DMO – is the Debt Management Office of HM Treasury

- 5.92 **Minimum credit rating:** Treasury investments in the sectors marked with a double-asterisk (**) will only be made with entities whose lowest published long-term credit rating is no lower than [A-]. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account. For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £1m per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.
- 5.93 **Time limits (***):** These start on the earlier of date that the Authority is committed to make the investment and the date that cash is transferred to the counterparty. This is the maximum duration that will be held with the relevant financial participant.

- 5.94 **UK Government:** Sterling-denominated investments with or explicitly guaranteed by the UK Government, including the Debt Management Account Deposit Facility where the maximum deposit term is 6 months, treasury bills and gilts. These are deemed to be zero credit risk due to the government's ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.
- 5.95 **Local authorities and other government entities:** Loans to, and bonds and bills issued or guaranteed by, other national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk.
- 5.96 **Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds, secured deposits and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments. A higher limit applies for investments fully secured on UK or other government collateral.
- 5.97 **Banks and building societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.
- 5.98 **Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

- 5.99 **Money market funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Authority will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.
- 5.100 **Strategic pooled funds:** Bond, equity and property funds, including exchange traded funds, that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date but can be either withdrawn after a notice period or sold on an exchange, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.
- 5.101 **Real estate investment trusts:** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.
- 5.102 **Other investments:** This category covers treasury investments not listed above, for example unsecured corporate bonds and unsecured loans to companies and universities. Non-bank companies cannot be bailed-in but can become insolvent placing the Authority's investment at risk.
- 5.103 **Operational bank accounts:** The Authority's operational account provider is Barclays Bank. It may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £1m, subject to unexpected material receipts. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

5.104 **Risk assessment and credit ratings:** Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that counterparty until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

5.105 **Other information on the security of investments:** The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Authority's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

5.106 **Reputational aspects:** The Authority is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be taken into account when making investment decisions.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government or other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

- 5.107 **Additional Investment limits:** A group of entities under the same ownership will be treated as a single organisation for limit purposes. Limits are also placed on fund managers and investments in brokers' nominee accounts as below.

	Cash limit
Any group of pooled funds under the same management	£6m per manager
Investments held in a broker's nominee account	£6m per broker

- 5.108 **Liquidity management:** The Authority uses purpose-built cash flow forecasting models to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium-term financial plan and cash flow forecast.

The Authority will spread its investment portfolio over at least three approved counterparties (e.g. bank accounts and money market funds), of which at least two will be UK domiciled, to ensure that access to cash is maintained in the event of operational difficulties at any one counterparty.

Treasury Management Prudential Indicators

- 5.109 The Authority measures and manages its exposures to treasury management risks using the following indicators.

- 5.110 **Security:** The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	Target
Portfolio average credit rating	A

- 5.111 **Liquidity:** The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling 1 month period, without additional borrowing.

Liquidity risk indicator	Target
Total cash available within 1 month	£15m

- 5.112 **Interest rate exposures:** This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	Limit
One-year revenue impact of a 1% rise in interest rates.	(£0.671m)
One-year revenue impact of a 1% fall in interest rate.	£0.671m

- 5.113 The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates.

- 5.114 **Maturity structure of borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

5.115 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

5.116 **Long-term treasury management investments:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management investments will be:

Price risk indicator	2026/27	2027/28	2028/29	No fixed date
Limit on principal invested beyond year end	£5m	£5m	£5m	£10m

5.117 Long-term investments with no fixed maturity date include strategic pooled funds and real estate investment trusts but exclude money market funds and bank accounts as these are considered short-term.

Related Matters

5.118 The CIPFA Code requires the Authority to include the following in its treasury management strategy.

5.119 **Financial derivatives:** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

- 5.120 The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.
- 5.121 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.
- 5.122 In line with the CIPFA Code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.
- 5.123 **Markets in Financial Instruments Directive:** The Authority has opted up to professional client status with its providers of financial services, including advisers, banks, and brokers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, the Deputy Chief Executive Resources believes this to be the most appropriate status.

Financial Implications

- 5.124 The budget for investment income in 2026/27 is £1.867 million, based on an average investment portfolio of £67.096 million at an interest rate of 2.78%. As the Authority does not anticipate any borrowing, the budget for debt interest paid in 2026/27 is nil. If actual levels of investments and borrowing, or actual interest rates, differ from those forecasted, performance against budget will be correspondingly different.

Other Options Considered

- 5.125 The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Deputy Chief Executive Resources believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

6 Implications

6.1 Financial

Included in this report.

6.2 Legal

None.

6.3 Human Resources

None.

6.4 Risk Management

The Authority regards security of the sums it invests to be the key objective of its Treasury Management activity. Close management of counterparty risk is therefore a key element of day-to-day management of treasury activity. The practices designed to ensure that risks are managed effectively are set out in the Treasury Management Practices available on the Authority's website.

6.5 Equalities and Diversity

The Authority considers the effect of its actions on all sections of our community and has addressed all of the following Equality Strands in the production of this report, as appropriate:

Age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation.

6.6 Health

None.

6.7 Climate Change

None.

7 Appendices

Appendix 1: Economic Update and Interest Rate Forecast (provided by Arlingclose as of 22nd December 2025)

Appendix 2: Treasury Management Scheme of Delegation

Appendix 3: The Treasury Management Role of The Section 151 Officer

8 Previous Consideration

Audit and Accounts Committee 23 February 2026 - Minute No TBC

9 Background Papers

Available in Financial Services.

Contact Officer: Chris Forrester

Telephone Number: 01543 464334

Ward Interest: Nil

Report Track: Audit and Accounts Committee 23 February 2026
Council 24 February 2026

Key Decision: Yes

Appendix 1

Economic Update and Interest Rate Forecast (Provided by Arlingclose as of 22 December 2025)

Underlying assumptions:

The Bank of England duly delivered on expectations for a December rate cut, but, despite softer economic data over the past two weeks, the minutes highlighted increased caution surrounding both the inflation outlook and the speed of future easing. With a close vote of 5-4 in favour of a rate reduction, this suggests that the bar for further monetary easing may be higher than previously thought despite the possibility of the CPI rate falling to target in 2026.

Budget policies and base effects will mechanically reduce the CPI rate in 2026, on top of the downward pressure arising from soft economic growth and the looser labour market. However, many policymakers appear concerned that household and business inflation and pricing expectations are proving sticky following recent bouts of high price and wage growth, which may allow underlying inflationary pressure to remain elevated. While, the Bank's measure of household expectations ticked lower in December, it remains above levels consistent with the 2% target at 3.5%.

While policymakers hold valid concerns, these appear somewhat out of line with current conditions; CPI inflation fell to 3.2% in November, private sector wage growth continued to ease amid the highest unemployment rate since the pandemic, and the economy contracted in October after barely growing in Q3. Business surveys pointed to marginally stronger activity and pricing intentions in December but also suggested that the pre-Budget malaise was not temporary. These data are the latest in a trend suggesting challenging economic conditions are feeding into price and wage setting.

Risks to the growth and inflation outlook lie to the downside, which may ultimately deliver lower Bank Rate than our central case. However, the minutes suggest that the bar to further rate cuts beyond 3.25% is higher and the near-term upside risks to our Bank Rate forecast have increased. Having said that, we believe inflation expectations will naturally decline alongside headline inflation rates.

Investors appear to have given the UK government some breathing space following the Budget, with long-term yields continuing to trade at slightly lower levels than in late summer/early autumn. Even so, sustained heavy borrowing across advanced economies, the DMO's move towards issuing more short-dated gilts and lingering doubts about the government's fiscal plans will keep short to medium yields above the levels implied by interest rate expectations alone.

Forecast:

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

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

The current PWLB rates are set as margins over gilt yields as follows:

- PWLB Standard Rate is gilt plus 100 basis points (G+100bps)
- PWLB Certainty Rate (GF) is gilt plus 80 basis points (G+80bps)
- PWLB Local Infrastructure Rate is gilt plus 60 basis points (G+60bps)
- PWLB Certainty Rate (HRA) is gilt plus 40bps (G+40bps)

The National Wealth Fund (formerly the UK Infrastructure Bank) will lend to local authorities that meet its scheme criteria at a rate currently set at gilt plus 40bps (G+40bps).

Appendix 2

Treasury Management Scheme of Delegation

Full Council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.

Committees/Council

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.

Body/person(s) with responsibility for scrutiny

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

Appendix 3

The Treasury Management Role of the Section 151 Officer

The S151 (responsible) officer:

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers;
- preparation of a Capital Strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long-term timeframe.

Agenda Item 12**Localism Act 2011 - Pay Policy Statement 2026-27**

Committee:	Council
Date of Meeting:	24 February 2026
Report of:	Head of Business Support and Assurance
Portfolio:	Resources Portfolio

1 Purpose of Report

- 1.1 To agree the Pay Policy Statement for 2026-27 as required by Sections 38 and 39 of the Localism Act 2011.

2 Recommendations

- 2.1 That Council approves the Pay Policy Statement as set out in **APPENDIX 1**.

Reasons for Recommendations

- 2.2 The Localism Act 2011 requires English and Welsh Local Authorities to prepare a Pay Policy Statement which has to be approved by Council by the end of March each year.

3 Key Issues

- 3.1 The purpose of a Pay Policy Statement is to provide transparency concerning the Council's approach to setting the pay of its employees in line with Chapter 8 of the Localism Act 2011 and the provisions of the guidance issued under s40 (i.e. Openness and accountability in local pay) by identifying a Local Authority's policy on:
- the level and elements of remuneration for each chief officer.
 - the remuneration of its lowest paid employees (together with a definition of "lowest paid employees").
 - the relationship between the remuneration of its chief officers and its other officers.

- on other specific aspects of chief officers' remuneration such as remuneration on recruitment, increases and additions to remuneration, use of performance related pay and bonuses, termination payments and transparency.

3.2 For these reasons a pay policy statement has been prepared for approval and publication.

3.3 Council are asked to note reference in the attached Pay Policy Statement to the adoption of the Living Wage Foundation rate for employees of Stafford Borough Council effective from 1 April 2026.

4 Relationship to Corporate Priorities

4.1 This report contributes to corporate priority 4 Effective Council - Good governance across the Council.

5 Report Detail

5.1 Section 38 (1) of the Localism Act 2011 requires English (and Welsh) local authorities to prepare an annual pay policy statement.

5.2 The statement has to compare the policies on remunerating chief officers and other employees, and to set out the policy on the lowest paid. The Act defines remuneration widely, to include not just pay but also charges, fees, allowances, benefits in-kind, increases in/enhancements of pension entitlements, and termination payments.

5.3 In terms of process, the Pay Policy Statement must be:

- approved formally by the full Council.
- approved by the end of March each year.
- published on the Authority's website (and in any other way the Authority chooses)
- complied with when the Authority sets the terms and conditions for a Chief Officer.

The statement can be amended in-year.

- 5.4 The Act also requires an Authority to have regard to any statutory guidance on the subject issued or approved by the Secretary of State. Statutory recommendations have been issued on pay multiples (within a wider code of recommended practice) on data transparency and a broader set of statutory guidance on the publication of pay policy statements. The statutory guidance emphasises that each Local Authority has the autonomy to take its own decisions on pay and pay policies.
- 5.5 The Act sets out that in the context of managing scarce public resources, remuneration at all levels needs to be adequate to secure and retain high quality employees dedicated to the service of the public, but at the same time needs to avoid being unnecessarily generous or otherwise excessive and seen as such. Each Local Authority will have its own way of balancing those factors, with legitimately differing emphases reflecting differing circumstances.
- 5.6 As well as being required to set out certain of its policies on pay, a Local Authority is required to use the pay policy statement to set out its policies on paying charges, fees (such as for the local returning officer or joint authority duties) allowances and benefits in kind.
- 5.7 Although not required by the Act or statutory guidance, in order to support the need for transparency the pay policy statement should include the percentage rate at which the employer's pension contributions have been set for the year in question together with the employee contribution rates.
- 5.8 The pay awards for NJC Green Book Employees from 1 April 2026 is currently under national negotiation between the employers and trade unions at the time of writing. On this basis figures quoted for employee salaries in Annex 1 are as of 1 April 2025.
- 5.9 Following consultation with recognised Trade Unions, the Chief Executive, as Head of Paid Service and in accordance with delegated authority, has agreed to implement the Living Wage Foundation Rate (LWFR) for all employees whose hourly rate of pay is below LWFR. Implementation of the rate was agreed as part of the harmonisation of a number of terms and conditions announced in the earlier stages of the shared services agenda. Whilst the transformation work planned as part of sharing services has been halted ahead of Local Government Re-organisation, there is a commitment to uphold those proposals made during the earlier stages of the shared services journey. Until now, all employees of the Borough Council have earned over this rate, however LWFR was increased significantly at its' annual review in November 2025, rising from £12.60 per hour to £13.45 per hour meaning it now offers an increase in the rate of pay for a small number of employees at Stafford Borough Council.

6 Implications

6.1 Financial

Aside from the proposal to implement Living Wage Foundation rate for Council employees from 1 April 2026, approval of the Council's pay policy statement does not commit any additional expenditure over and above that approved for the next financial year 2026/27. Increases in expenditure following implementation of Living Wage Foundation rate are negligible.

6.2 Legal

The legal implications are set out in the main body of this report.

6.3 Human Resources

Those employees currently earning an hourly rate beneath the Living Wage Foundation Rate of £13.45 per hour will be advised of the increase in their pay following Council agreement of the Pay Policy statement. This change affects three employees and will be implemented from 1 April 2026.

6.4 Health

None

6.5 Climate Change

None

7 Appendices

Appendix 1: Pay Policy Statement 2026-27

8 Previous Consideration

None

9 Background Papers

None

Contact Officer: Suzanne Dutton

Telephone Number: 01543 464426

Ward Interest: N/A

Report Track: Council 24 February 2026 (Only)

Key Decision: No

Stafford Borough Council Pay Policy Statement 2026-27

Introduction and Purpose

Under section 112 of the Local Government Act 1972, Council has the “power to appoint officers on such reasonable terms and conditions as the authority thinks fit”. This Pay Policy Statement (the ‘statement’) sets out Stafford Borough Council’s approach to pay policy in accordance with the requirements of Section 38 of the Localism Act 2011 and associated guidance, and the Local Government (Transparency Requirements) Regulations 2015. The purpose of the statement is to provide transparency with regard to the Council’s approach to setting the pay of its employees in line with Chapter 8 of the Localism Act 2011 and the provisions of the guidance issued under s40 (i.e. ‘Openness and accountability in local pay’) by identifying:

- the methods by which salaries of all employees are determined.
- the detail and level of remuneration of its most senior staff i.e. ‘chief officers’, as defined by the relevant legislation.
- those responsible for ensuring the provisions set out in this statement are applied consistently throughout the Council and recommending any amendments to the full Council.

Once approved by full Council, this policy statement will come into immediate effect and will be subject to review on a minimum of an annual basis in accordance with the relevant legislation prevailing at that time.

Legislative Framework

In determining the pay and remuneration of all its employees, the Council will comply with all relevant employment legislation. This includes:

- The Equality Act 2010
- The Part Time Employment (Prevention of Less Favourable Treatment) Regulations 2000
- The Agency Workers Regulations 2010, and where relevant

- The Transfer of Undertakings (Protection of Employment) Regulations (TUPE).

With regard to the Equal Pay requirements contained within the Equality Act, the Council ensures there is no pay discrimination within its pay structures and that all pay differentials can be objectively justified.

Pay Structure

The Authority concluded its Negotiations toward a Single Status Agreement during 2010. The details of the Agreement covering all employees within the scope of the National Joint Council (NJC) for Local Government Services ("Green Book") were agreed at Council on 28 September 2010. The Agreement introduced a harmonised set of terms and conditions for all Council employees with effect from 1 October 2010.

The minimum and maximum rates of pay of employees within scope of the Single Status Agreement are based on either the national pay spine and/or locally negotiated rates of pay or national minimum wage legislation including Apprentice rates of pay as appropriate dependent on age.

National pay awards to be effective from 1 April 2026 (NJC Green Book) remain under national negotiation between the employers and the trade unions and are unresolved at the time of writing. On this basis, the figures used in this statement are based on 1 April 2025 rates of pay.

From 1 April 2026 the Council will implement the Living Wage Foundation rate, currently £13.45 per hour. This rate of pay is calculated based on the real cost of living and is a higher rate than national minimum wage. Once implemented this rate will apply to all employees who earn less than that rate within the current national pay structure.

The Council remains committed to adherence with national pay bargaining in respect of the national pay spine and any annual cost of living increases negotiated in the pay spine and will implement any amended pay or grading structure that may arise from such national negotiations.

The grading of job roles is determined by reference to the NJC Job Evaluation Scheme, and the Hay Evaluation scheme as adopted by the Council. The exception to this is circumstances where, as part of shared service arrangements or other relevant transfers of personnel, employees have transferred to Stafford Borough Council under the TUPE regulations with protected pay and terms and conditions of employment. Those terms and conditions will remain in place until such time as there is an economic, technical, or organisational reason for changing them, as is required under the TUPE legislation.

The level of remuneration is not variable dependent upon the achievement of defined targets, except for progression through any incremental scale of any relevant grade being subject to overall satisfactory performance. There is provision for the acceleration of increments within any grade to take account of changes to duties and responsibilities or outstanding contribution.

All other pay related allowances are the subject of either national or local determination having been determined from time to time in accordance with national collective bargaining machinery and/or as determined by local negotiation with local trade union representatives.

In determining its pay and grading structure and setting remuneration levels for all posts, the Council takes account of the need to ensure value for money in respect of the use of public expenditure, balanced against the need to be able to recruit and retain employees who are able to meet the requirements of providing high quality services to the community, delivered effectively and efficiently and at times at which those services are required.

New appointments will normally be made at the minimum of the relevant grade, although this can be varied where necessary to secure the best candidate and to respond to variations in regional or national pay rates. From time to time, it may be necessary to take account of the external pay market in order to attract and retain employees with particular experience, skills and capacity. Where necessary, the Council will ensure the requirement for such is objectively justified by reference to clear and transparent evidence of relevant market comparators, using appropriate data sources available from within and outside the local government sector.

Local Government Pension Scheme

Subject to qualifying conditions, all employees have a right to join the Local Government Pension Scheme. In addition, the Council operates pensions 'Auto Enrolment' as required by the Pensions Act 2008. The table below sets out the employee pension contribution bands which will have been in place from 1 April 2025. At the date of writing employee pension contribution bands have not been confirmed for 2026-27.

2025-26 rates

Band	Whole-time equivalent pay range	Main Section Employee contribution rate (%)	50/50 Employee contribution rate (%)
1	Up to £17,800	5.5%	2.75%
2	£17,801 - £28,000	5.8%	2.90%
3	£28,001 - 45,600	6.5%	3.25%
4	£45,601 - £57,700	6.8%	3.40%
5	£57,701 - £81,000	8.5%	4.25%
6	£81,001 - £114,800	9.9%	4.95%
7	£114,801 - £135,300	10.5%	5.25%
8	£135,301 - £203,000	11.4%	5.70%
9	£203,001 or above	12.5%	6.25%

The Employer contribution rates are set by Actuaries advising the Staffordshire Pension Fund and are reviewed on a regular basis in order to ensure the scheme is appropriately funded. The Employer contribution rate for Stafford Borough Council for 2026-27 is 19%.

In relation to payments to the Local Government pension scheme, these are made up of two separate elements, these being the primary rate (19%) which is paid as a percentage based on actual salary costs and a secondary contribution which is a fixed element payable each year notified by the pension authority as part of the triennial valuation of the pension fund.

Senior Management Remuneration

For the purposes of this statement, senior management means 'chief officers' as defined within s43 of the Localism Act. The posts falling within the statutory definition are those officers who comprise the senior management team of the Council (the Leadership Team) reporting to the shared Chief Executive and whose salary exceeds £50,000 per annum (as required by the Local Government (Transparency Requirements) Regulations 2015). The national conditions of service, which apply to Chief Officers of the Council, and which are incorporated into contracts of employment are those set out in the Joint National Council for Chief Officers / Chief Executives terms and conditions of employment. Details of their annual salary and other additional payments as of 1 April 2025 (1 April 2026 pay award pending) are as follows:

Post	Range/Fixed Salary (£)	
Shared Chief Executive (Note 1 and 1a)		153,838
Deputy Chief Executive Place (Note 1a)	104,390	115,379
Deputy Chief Executive Resources and Section 151 Officer (Note 1b)	104,390	115,379
Head of Operations (Note 1a)	82,413	93,402
Head of Economic Development and Planning (Note 1a)	82,413	93,402
Head of Law and Governance (Note 1a)	82,413	93,402
Head of Business Support and Assurance (Note 1a)	82,413	93,402
Head of Wellbeing (Note 1b)	82,413	93,402
Head of Housing and Corporate Assets (Note 1b)	82,413	93,402
Head of Regulatory Services (Note 1b)	82,413	93,402

Notes:

- Note 1 - Single fixed salary pay point.
- Note 1a - These posts are employed by Stafford Borough Council but also provide services to our Shared Services Partner, Cannock Chase Council. The salary costs of these posts are shared with Cannock Chase Council.
- Note 1b - These posts are employed by our Shared Service partner, Cannock Chase Council. The salary costs of these posts are shared with Stafford Borough Council.

Stafford Borough Council and Cannock Chase District Council agreed to share all services (except for Housing HRA functions and Elections) with effect from 1 April 2023. This agreement also included the implementation of a Joint Leadership Team structure and the associated agreement of revised Terms and Conditions for Chief Officers. These terms and conditions offer an all-inclusive salary package.

The pay structure for Chief Officers is determined by reference to Hay Job Evaluation, benchmarking of comparable roles and responsibilities and recruitment and retention issues.

The Council does not apply any bonuses or performance related pay to its Chief Officers or any other employee.

Additions to Salary of Chief Officers

In addition to basic salary, as set out below are details of other elements of potential 'additional pay' which are chargeable to UK Income Tax and do not solely constitute reimbursement of expenses incurred in the normal course of work.

- (i) Where appropriate and subject to operational circumstances - for officers who are unable to utilise their full leave entitlement, payment for untaken leave is permitted. This discretionary provision applies to all Chief Officers. (Other employees have the option to buy additional annual leave).
- (ii) Recognition Payments (including honoraria, acting-up payments, ex-gratia payments) - subject to approval such additional payments are permissible to recognise additional duties and responsibilities which occur over and above normal contractual obligations. The provision of such payments is available to all Council employees dependent on circumstances.
- (iii) Returning Officer Fees - a range of fees are payable to the Chief Executive for his role as returning officer for local elections for Stafford Borough Council. The fees are based on indicative rates set by Staffordshire County Council for all Local Authorities in Staffordshire. The rates for 2026/27 are yet to be published and on this basis the rates set out below reflect the 2025/26 rates. Any agreed increase to these rates for 2026/27 is anticipated to be in line with the County Council's anticipated approach to budget setting for staffing costs.

Depending on the type of election, fees range from £121.14 per 1,000 or part, thereof, electors for either a standalone district or parish election, with a maximum of £484.58 per ward; to £160.45 per 1,000 or part, thereof, electors for combined district and parish elections, with a maximum of £641.81 per ward. Additionally, there are fees of £18.77 per ward for the issue and receipt of ballot papers; a supervisory fee of £40.41 per ward up to four wards, then £20.20 per ward thereafter, for poll cards; and £58.57 for every uncontested ward for which an election is held for a district or parish councillor(s).

Recruitment of Chief Officers

The Council's policy and procedures with regard to recruitment/appointment of chief officers is set out in Section 10, Part 3 of the Council's Constitution

(www.staffordbc.gov.uk/part-4-section-10-officer-employment-procedure-rules)

When recruiting to all posts the Council will take full and proper account of its own Recruitment, and where appropriate, Redeployment Policies. This policy does not exclude the possibility of recruiting former Chief Officers either from this Council or any other provided that a valid business case exists to do so. However, such occurrences are unlikely to be approved without a break in continuity of service being affected.

The determination of the remuneration to be offered to any newly appointed Chief Officer will be in accordance with the pay structure and relevant policies in place at the time of recruitment and as agreed by Council.

Where the Council is unable to recruit to a post at the designated grade and/or salary, it will consider the use of temporary market forces supplements in accordance with its relevant policies, or review grades in light of market related information. Any decision as to the remuneration of chief officer posts is to be determined by Council.

Where the Council remains unable to recruit Chief Officers under a contract of employment, or there is a need for interim support to provide cover for a vacant substantive Chief Officer post, the Council will, where necessary, consider and utilise engaging individuals under 'contracts for service'. These will be sourced through a relevant procurement process ensuring the council is able to demonstrate the maximum value for money benefits from competition in securing the relevant service.

The Council does not currently have any Chief Officers engaged under any such arrangements.

Payments on Termination

The Council's approach to statutory and discretionary payments on termination of employment of Chief Officers, prior to reaching normal retirement age, is set out within its policy statement in accordance with the provisions of the 2014 Local Government Pension Scheme.

Any other payments falling outside the provisions, or the relevant periods of contractual notice shall be subject to a formal decision made by the full Council or relevant elected members, committee, or panel of elected members with delegated authority to approve such payments in line with any prevailing legislation governing termination payments.

Publication

Upon approval by full Council, this statement will be published on the Council's Website. In addition, for posts where the full-time equivalent salary is at least £50,000, the Council's Annual Statement of Accounts includes a note setting out the total amount of:

- salary, fees or allowances paid to or receivable by the person in the current and previous year.
- any bonuses so paid or receivable by the person in the current and previous year; (not applicable) any sums payable by way of expenses allowance that are chargeable to UK income tax.

- any compensation for loss of employment and any other payments connected with termination.
- any benefits received that do not fall within the above.

Lowest Paid Employees

From 1 April 2025 (April 2026 Green Book Pay Award pending) the lowest paid persons employed under a contract of employment with the Council are paid in accordance with the minimum hourly rate currently in use within the Council's grading structure. This is £12.85 per hour, which equates to £24,796 per annum. The Council, from time to time, employs other categories of workers who are not included within the definition of 'lowest paid employees' as they are employed under the Government's national minimum wage legislation dependent on age.

The relationship between the rate of pay for the lowest paid and Chief Officers is determined by the processes used for determining pay and grading structures as set out earlier in this policy statement.

The statutory guidance under the Localism Act recommends the use of pay multiples as a means of measuring the relationship between pay rates across the workforce and that of senior managers, as included within the Hutton 'Review of Fair Pay in the Public Sector' (2010). The Hutton report was asked by Government to explore the case for a fixed limit on dispersion of pay through a requirement that no public sector manager can earn more than **20** times the lowest paid person in the organisation. The report concluded that the relationship to median earnings was a more relevant measure and the Government's Code of Recommended Practice on Data Transparency recommends the publication of the ratio between highest paid salary and the mean average salary of the whole of the authority's workforce.

The current pay levels within the Council define the multiple between the lowest paid (full time equivalent) employee (£24,796) and the shared Chief Executive post (£153,838) as **1:6.20** and between the lowest paid employee (£24,796) and the average shared Chief Officer post (£98,285.78) as **1: 3.96**.

The multiple between the median full time equivalent earnings (£32,061) and the Chief Executive (£153,838) is **1: 4.79** and between the median full time equivalent earnings (£32,061) and the average shared Chief Officer post (£98,285.78) is **1:3.06**.

As part of its overall and ongoing monitoring of alignment with external pay markets, both within and outside the sector, the Council will use available benchmark information as appropriate.

Accountability and Decision Making

In accordance with the Council's Constitution, Council, and /or Cabinet are responsible for decision making in relation to the recruitment, pay, terms and conditions and severance arrangements in relation to employees of the Council. The Constitution sets out the various delegations to Chief Officers.