

CABINET
17 February 2026

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: INVESTMENT STRATEGY 2026/27

REPORT OF: SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: RESOURCES

COUNCIL PRIORITY: SUSTAINABILITY

1. EXECUTIVE SUMMARY

The Investment Strategy provides the following key information:

- Recommendations on the Prudential and other Treasury indicators that will be monitored and reported on during the year (2026/27)
- As the Council has identified a need to borrow for capital purposes, a borrowing and Minimum Revenue Provision (MRP) policy.
- The scope of treasury investments where the Council will invest any surplus cash.

2. RECOMMENDATIONS

That Cabinet recommends to Council that they:

- 2.1. Approve the adoption of the Investment Strategy (as attached at Appendix A).
- 2.2. That Council approve the adoption of the four clauses in relation to the Code of Practice on Treasury Management (as detailed in paragraphs 8.10 to 8.16).

3. REASONS FOR RECOMMENDATIONS

- 3.1 To ensure the Council's compliance with CIPFA's code of practice on Treasury Management, the Local Government Act 2003, statutory guidance from Government, and the CIPFA Prudential Code. As well as determining and managing the Councils risk appetite in respect of investments.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 The primary principle governing the Council's investment criteria is the security and liquidity of its investments. After this the return (or yield) is then considered, which provides an income source for the Council. In general, greater returns can be achieved by taking on greater risk.
- 4.2 The Investment Strategy makes recommendations to reflect the Council Motion passed in December in relation to responsible investment. As the motion was not proscriptive, there could be other ways of reflecting it.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1 There is ongoing dialogue with the Authority's Treasury advisors (MUFG). Their specific advice was sought on ways the Council could reflect the Council motion on responsible investment.

6. FORWARD PLAN

- 6.1 This report does not contain a recommendation on a key Executive decision, as the decision is made by Full Council.

7. BACKGROUND

- 7.1 The Investment Strategy for 2025/26 was approved by Council in February 2025. A mid year review of the Treasury Strategy is provided to Council in January 2026. There have been no changes made to the Strategy during the course of 2025/26.
- 7.2 In December 2025, Council passed a motion in relation to responsible investment. It mainly related to pension fund investments. The relevant parts to this Investment Strategy are that:
- Concern about investments that benefit from shareholdings or funds that have underlying shareholdings, in companies that profit from conflict through the manufacturing of weaponry, and military technology and are alleged to be used in atrocities internationally today.
 - Concern about investments in corporate entities which according to an International Court of Justice (ICJ) ruling and subsequent United Nations opinion, are associated with human rights violations and international crimes.
 - Residents expect councils to invest public funds in ways that are ethical, responsible and transparent.
 - Withdrawal of any links - through investments - to supporting war, weapons manufacturing, military technology, or any other business activities that breach international law.
 - At the next scheduled review of North Hertfordshire District Council's own Investment Strategy; the review specifically considers how to align with the above investment principles.'

8. RELEVANT CONSIDERATIONS

- 8.1 The proposed Investment Strategy is attached at Appendix A. Council is asked to approve this strategy, which covers borrowing and investment forecasts and limits, including prudential indicators. The Strategy includes details of the Council's capital programme and forecast revenue position. These will be subject to approval by Council in a separate report.
- 8.2 The format of the Investment Strategy is described in the introduction section (pages 2 and 3). The following sections highlight the significant considerations in relation to this version of the Strategy.
- 8.5 Table 10 (on page 15) provides a forecast of the capital receipts that the Council will generate over the next few years. Capital receipts are received from the sale of surplus assets that the Council owns. The preceding paragraph provides a description of the factors that will affect the timing and amount of expected capital receipts. Any significant changes would require a change to the Investment Strategy and would also affect the revenue budget in the medium-term.
- 8.6 As detailed in table 11 (on page 15) the Council has a need to borrow to fund the capital programme. As at the end of 2025/26 the borrowing requirement is forecast to be £18.76m. Estimates are that a further £3.17m of borrowing will be required in 2026/27, an additional £1.08m in 2027/28, and a further £17.02m between 2028-2036. As detailed on page 16, the Council can consider whether to borrow internally or externally. However as detailed on page 17, the Prudential Code requires Councils to initially consider internal borrowing as it is considered to be cheaper and lower risk. Therefore, it is assumed that the Council will continue to borrow internally. Internal borrowing means that we use our cash reserves, rather than getting money in by borrowing from third parties. This is different to using our reserves to directly fund capital. The implication of internal borrowing (versus external borrowing) is that the cost is in lost interest income, rather than incurring external interest charges. This should be lower cost and lower risk.
- 8.7 Where the Council has a need to borrow then it incurs a revenue charge known as a Minimum Revenue Provision (MRP). On page 23 of the Strategy it is detailed that the Council will charge MRP on an equal instalment basis. This reflects that the majority of capital spend is related to service provision and therefore the assets are expected to provide consistent benefits over their life. MRP is calculated by dividing capital spend (on those schemes that the Council needs to fund from a borrowing requirement) and dividing that by the expected useful life of the asset. There is not a MRP charge until the year after the spend is incurred.
- 8.8 Table 17 on page 27 of the Strategy details where the Council can invest its surplus cash. This sets limits to ensure appropriate diversification. There have been changes to this (from last year) to reflect the Council motion on responsible investment as detailed in paragraph 7.2. There have also been changes for other reasons, as detailed in the table below. The table does not include changes where the same percentage (as last year) has been applied to the overall average investment balance to determine the appropriate limits.

| Investment Type | Change | Reason for change |
|----------------------------------|--|---|
| Banks | Remove reference to part-nationalised banks | The UK Government has now sold off its bank investments |
| Banks | To only invest in Environmental, Social and Governance (ESG) investments | To reflect the Council motion, as there is uncertainty in how banks will use their general investment balances. |
| Local Authorities | To increase the individual counter-party limit to £5m | An increasing number of Local Authorities are only interested in investments at £5m. With the limit on bank investments, the Council should make sure that it can maximise the availability of other investments. |
| Unrated Building Societies | Combined the categories of assets over £300m and over £1bn. | With all limits subject to a £1m minimum, they both ended up having the same limits. |
| Money Market Funds | To only invest in funds with an ESG policy | To reflect the Council motion and seeking to invest in funds that have a responsible approach to investment. |
| Property Fund | Removed from the strategy | These are a long term investment and looking to limit long-term investments due to LGR timelines. |
| Ultra-Short Dated Bond Fund | Removed from the strategy | Not been used so no value in having in the strategy |
| Multi-asset funds | Removed from the strategy | Not been used so no value in having in the strategy. Also could include investments that went against the Council motion. |
| Investments of more than 2 years | Removed from the strategy, previously allowed if specifically approved by the Chief Finance Officer. | These are a long term investment and looking to limit long-term investments due to LGR timelines |

8.9 The Code of Practice on Treasury Management requires that a report be submitted to Full Council setting out four clauses which should be formally passed in order to approve adoption of the code. The four clauses are detailed below, including how they are met by the Council. As recommended by CIPFA, where appropriate these are included within the Council's Constitution and Financial Regulations.

8.10 Clause 1 relates to creating and maintaining a Policy and practices as a cornerstone for effective treasury management.

8.11 Full Council are asked to approve the adoption of the following Treasury Management Policy Statement, which is the same as in previous years:

- This organisation defines its treasury management activities as: "The management of the authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".

- This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.
- This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

8.12 The Council has adopted Treasury Management Practices (TMPs) which set out how the Council will carry out, manage and control the achievement of the policy above in practice. The TMPs follow the recommendations contained within the Code, subject only to amendment where necessary to reflect the particular circumstances of the Council. Such amendments are minor and do not result in any material deviation from the Code's key principles. The TMPs are operationally focused and therefore the themes covered are detailed below, rather than providing the full document. Where relevant the detail is already covered in the Investment Strategy (e.g. approved instruments):

- TMP1- Risk Management (Changed to include Environment, Social and Governance (ESG) considerations)
- TMP2- Performance Measurement
- TMP3- Decision making and analysis
- TMP4- Approved instruments, methods and techniques
- TMP5- Organisation, clarity and segregation of responsibilities, and dealing arrangements
- TMP6- Reporting requirements and management information arrangements
- TMP7- Budgeting accounting and audit arrangements
- TMP8- Cash and cash-flow management
- TMP9- Money laundering
- TMP10- Staff training and qualifications
- TMP11- Use of external service providers
- TMP12- Corporate Governance

8.13 Clause 2 relates to the reporting on treasury activities. These are set out in the Investment Strategy on page 3.

8.14 Clause 3 relates to the delegation of responsibility for the implementation and regular monitoring of its treasury management policies. The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet (Constitution 5.7.9) and for the execution and administration of treasury management decisions to the Service Director: Resources (Constitution 14.6.12 (b) (iv) and Financial Regulations section 13) who will act in accordance with the Council's policy statement and treasury management practices and the CIPFA Standard of Professional Practice on Treasury Management.

- 8.15 Clause 4 relates to the scrutiny of treasury management strategy and policies. The Council nominates the Finance, Audit and Risk Committee to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies (Constitution 10.1.5 (c)).

9. LEGAL IMPLICATIONS

- 9.1 Section 4, Paragraph 4.4.1 (cc) of the Constitution provides that Full Council will approve the treasury management strategy statement.
- 9.2 Part 5.7.40 confirms that the treasury management strategy (as may be incorporated in an integrated investment strategy); will be recommended by Cabinet to Full Council
- 9.3 The Finance, Audit and Risk Committee will consider the Council's policy in relation to Treasury Management and make recommendations on the Annual Treasury Management and Investment Strategy, and Treasury Management Code of Practice (Constitution 10.1.5 (c)).
- 9.4 Section 151 of the Local Government Act 1972 states that: "every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs." That officer is the Director- Resources.
- 9.5 The proposed Prudential Indicators contained within the Investment Strategy comply with the Local Government Act 2003. The Investment Strategy has been developed to comply with the statutory guidance from the Ministry of Housing, Communities and Local Government and the CIPFA Prudential Code.

10. FINANCIAL IMPLICATIONS

- 10.1 The financial implications of capital spend and treasury investment returns are included in the budget report (also on the agenda of this meeting).

11. RISK IMPLICATIONS

- 11.1 Good Risk Management supports and enhances the decision-making process, increasing the likelihood of the Council meeting its objectives and enabling it to respond quickly and effectively to change. When taking decisions, risks and opportunities must be considered.
- 11.2 Investment risks in relation to treasury management are covered in this report and the Investment Strategy. The TMPs (see 8.13) and Financial Regulations provide controls to manage other risks

12. EQUALITIES IMPLICATIONS

- 12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2 The changes made to the investment strategy in relation to the Council motion on responsible investment may also have a positive impact in promoting equalities.

13. SOCIAL VALUE IMPLICATIONS

- 13.1. The Social Value Act and “go local” requirements do not apply to this report.

14. ENVIRONMENTAL IMPLICATIONS

- 14.1. The changes made to the investment strategy in relation to the Council motion on responsible investment may also promote investments which have a positive environmental impact.

15. HUMAN RESOURCE IMPLICATIONS

- 15.1 There are no direct human resources implications arising from this report.

16. APPENDICES

- 16.1 Appendix A- Investment Strategy

17. CONTACT OFFICERS

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18. BACKGROUND PAPERS

- 18.1 None