

**AGENDA ITEM 12 REPORT NPA25/26-28 APPENDIX I**  
**REVENUE BUDGET 2026/27**

**Revenue Budget 2026/27**

Revenue Budget	2025/26 Adjust' Core Budget*	Movement Between Financial Years			2026/27 Original Budget
		Inflation	Service Investment	Other Changes	
<b>Service Expenditure</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Corporate Strategy	2,477	71	97	(729)	1,916
Growth And Organisational Development	2,090	56	150	32	2,328
Landscape and Operations	2,564	73	-	308	2,945
Placemaking	5,882	148	-	(462)	5,568
Strategic Projects	397	16	-	(406)	7
<b>Total Expenditure</b>	<b>13,410</b>	<b>364</b>	<b>247</b>	<b>(1,257)</b>	<b>12,764</b>
<b>Income</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Defra Grant	(9,626)	-	-	-	(9,626)
Other Grants	(132)	-	-	50	(82)
Planning Income	(1,508)	-	-	178	(1,330)
Trust Income	(92)	-	-	(123)	(215)
SSCP Income	(863)	-	-	(94)	(957)
Other	(676)	-	-	491	(185)
<b>Total Income</b>	<b>(12,897)</b>	<b>-</b>	<b>-</b>	<b>502</b>	<b>(12,395)</b>
<b>Net Budget</b>	<b>513</b>	<b>364</b>	<b>247</b>	<b>(755)</b>	<b>369</b>
<b>Contribution to / (from) reserves</b>	<b>(513)</b>	<b>-</b>	<b>-</b>	<b>144</b>	<b>(369)</b>
<b>Revised Deficit / (Surplus)</b>	<b>0</b>	<b>364</b>	<b>247</b>	<b>(611)</b>	<b>0</b>

\*Contribution from Green Finance and Planning reserves of £0.369m.

**Total Revenue Budget 2026/27 Subjective Analysis by Service Areas (includes all sources of expenditure against all income streams)**

Service Area	2025/26 Revenue Budget					2025/26 Budgeted Staff
	Employee Costs	Other Expenditure	Total Expenditure	Total Income	Total Net Budget	
	£'000	£'000	£'000	£'000	£'000	FTE
Corporate Strategy	1,452	469	1,921	(9,635)	(7,714)	28.6
Growth And Organisational Development	1,599	729	2,328	(260)	2,068	27.1
Landscape and Operations	2,365	575	2,940	(213)	2,727	50.5
Placemaking	2,806	2,762	5,568	(2,287)	3,281	50.0
Strategic Projects	-	7	7	-	7	-
<b>Total</b>	<b>8,222</b>	<b>4,542</b>	<b>12,764</b>	<b>(12,395)</b>	<b>369</b>	<b>156.2</b>

## **AGENDA ITEM 12 REPORT NPA25/26-28 APPENDIX 2**

### **CAPITAL STRATEGY 2026/27**

#### **I. Background**

- 1.1. Chartered Institute of Public Finance and Accountancy (CIPFA)'s Prudential Code for Capital Finance in Local Authorities and Ministry of Housing, Communities and Local Government (MHCLG) investment guidance require all local authorities to prepare a capital strategy report which demonstrates that the authority:
- takes capital expenditure and investment decisions in line with service objectives;
  - takes account of stewardship, value for money, prudence and affordability;
  - sets out the long-term context in which capital expenditure and investment decisions are made;
  - gives due consideration to both risk and reward and the impact on the achievement of priority outcomes.
- 1.2. The aim of the capital strategy is to ensure that all members of the authority fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.
- 1.3. This capital strategy is reported separately from the Treasury Management Strategy; this ensures the separation of the core treasury function (security, liquidity and yield principles) and the approach to capital investment.
- 1.4. This report covers the impact of capital investments focussing on the authority's core activities. Treasury investments and associated risks are covered under the authority's Treasury Management Strategy set out in **Appendix 3** to this report.

#### **2. Governance Framework**

- 2.1. The authority's financial regulations and procedures set out the framework of control, responsibility and accountability for the proper administration of the authority's financial affairs. Under the financial regulations and procedures, the Chief Finance Officer and Directors are jointly responsible for ensuring a capital programme is prepared and considered by the full authority.
- 2.2. Further to this, the authority's Financial Procedures define the key controls around the management of the authority's financial affairs, including the capital programme. The key controls for the capital programme are:
- specific approval by the authority for the programme of capital expenditure, in conjunction with the annual revenue budget, outlining the phasing of expenditure and the sources of funding;
  - reports of schemes and estimates, including options appraisals, project plans, progress targets and associated revenue expenditure are prepared for each capital project, for approval by the full authority;
  - no new capital scheme proceeds unless all required finance and other necessary approvals have been obtained;
  - proposals for improvements and alterations to buildings must be approved by the appropriate Director in consultation with the Chief Executive;
  - a nominated, accountable budget holder for each capital budget;
  - monitoring of progress on capital schemes and comparison with approved budget and remedial action taken to address overspends, reporting monthly to the Chief Executive and Directors, and at least four times a year to Senior Management Team and the Policy & Resources Committee;
  - compliance with the authority's Financial Regulations, Contract Standing Orders and Procurement Policy, for example, when inviting competitive quotes or tenders.

### 3. Risk Management

- 3.1. Risk management is defined as *“the culture, processes and structure, which come together to optimise the management of potential opportunities and adverse effects”*. Due to the potential high value and long-term nature of capital expenditure, there is an inherent risk associated with an authority’s capital programme which needs to be managed. The principles and assumptions set out in this strategy and the authority’s governance framework are designed to ensure that resources are utilised to meet the objectives of the authority whilst ensuring effective use of resources and securing the assets of the authority and its continued financial and organisational well-being.
- 3.2. The authority maintains a Corporate Risk Register and Corporate Governance framework which requires that the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. It includes the systems and processes, and cultures and values, by which public bodies are directed and controlled and through which they account to and engage with their partners and communities.
- 3.3. Further to this, the authority’s Financial Procedures define the key controls around the risk management. The key controls for the risk management are:
- The risk management strategy is agreed and adhered to across the authority;
  - Procedures are in place to identify, assess and manage the risks that may hinder the authority from reaching its objectives;
  - Risk management is a formalised stage of the business and project planning process, project management, major changes initiatives and financial management processes;
  - A monitoring process is in place to regularly review the effectiveness of risk reduction strategies and the operation of these controls;
  - Risk management training and support is available across the authority;
  - Managers know that they are responsible for managing risks and are provided with information on risk management initiatives and incidence levels.
- 3.4. The Corporate Risk Register is monitored by the authority’s Operational Management Team and issues escalated to Senior Management Team as required. The Corporate Risk Register is reported to each Policy & Resources Committee meeting.

### 4. Capital Strategy

#### Capital Expenditure

- 4.1. Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the authority, such as land, buildings, and major items of plant, equipment or vehicles. Capital assets shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and revenue running costs.
- 4.2. The authority’s intention is to optimise rather than maximise capital investments whilst ensuring the conditions of the investment are compatible with the aims and objectives of the Authority. It is necessary to set out the key principles which can be used as the basis to guide future capital expenditure decisions. The key principles are:
- Capital expenditure shall be subject to a process of consideration of the purpose, benefits and risks of meeting the strategic fit of the authority’s Partnership Management Plan, Corporate Plan and asset management planning priorities.
  - Capital investment proposals will consider the total projected costs, expenditure profile and full whole life financial implications both revenue and capital. The possible “exit” value of the assets created should be assessed as a relevant consideration in reducing the risk in respect of cost and / or strategic fit.
  - Consideration should be given to the requirement of ongoing budgetary provision for the replacement of existing assets to ensure the operational requirements of the Authority are met and these assets provide best value to the Authority.

- Consideration should be given to capital projects which deliver revenue efficiency gains, improvements in value for money or maximise income streams whilst complying with the above principles and taking into consideration related additional costs.
- Consideration should be given to the application of REFCUS as an accounting principal. Ensuring the Authority uses and applies the practice to use the capital grant available to it.

### **Capital Financing**

4.3. The authority is able to finance capital investment from a number of sources. It is necessary to set out the key principles for each potential source of capital investment which can be used as the basis to guide future capital financing decisions:

- **External Grants and Contributions:** External funding is an important source of income, but conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the authority. The authority will use external grants and contributions to fund capital expenditure where it results in a substantial benefit to the authority relative to the resources required to achieve that benefit.
- **Borrowing:** Borrowing as a source of funding shall be carried out in accordance with the CIPFA Prudential Code and the authority’s Treasury Management Strategy. Future borrowing repayments (including interest) should be given careful consideration and need to demonstrate affordability relative to the benefits of the asset being purchased/enhanced and the Medium-Term Financial Strategy.
- **Capital Receipts from the Sale of Assets:** Receipts from the sale/disposal of assets should first be used to replace that asset if required. Any surplus receipts shall then be available to finance capital expenditure in accordance with the principles outlined in this strategy.
- **Capital and Earmarked Reserves:** Capital financing from capital and earmarked reserves shall be recommended when the assets being acquired or enhanced meet the approved purpose of the reserve in accordance with the Authority’s Financial Procedures.
- **Direct Revenue Funding:** Capital financing from revenue budgets shall only be recommended where there are sufficient resources available within the approved revenue budget, including revenue reserves, and the implications for the current financial year and Medium-Term Financial Strategy are considered.
- **Other:** Other potential sources of capital financing shall be considered taking into account the principles outlined above where relevant and in accordance with the appropriate approvals in line with the authority’s governance framework.

## **5. The Capital Programme**

5.1 The Capital Programme represents anticipated capital expenditure over the Medium-Term Financial strategy period, informed by the key principles above. The capital programme requires specific approval by the Authority, in conjunction with the annual revenue budget, outlining the phasing of expenditure and the sources of funding. The Authority’s capital programme 2025/26 to 2029/30 forecasts a total of £3.479m capital investment as shown in **Table I** below which takes account of the Authority’s invest-to-save programme created in 2023/24.

<b>Capital Programme Table I:</b>	<b>2026/27 £'000</b>	<b>2027/28 £'000</b>	<b>2028/29 £'000</b>	<b>2029/30 £'000</b>	<b>2030/31 £'000</b>	<b>Funding Source</b>
FIPL Additional wildlife rich habitats	352					FIPL
FIPL Capital	503					FIPL
Capitalise Salaries	300					Defra Capital Grant

<b>Capital Programme Table 1:</b>	<b>2026/27 £'000</b>	<b>2027/28 £'000</b>	<b>2028/29 £'000</b>	<b>2029/30 £'000</b>	<b>2030/31 £'000</b>	<b>Funding Source</b>
Foxholes	200					Defra Capital Grant
North Car Park	250					Defra Capital Grant
IT Kit	40					Defra Capital Grant
Facilities	20					Defra Capital Grant
Conference Rooms Kit * 5 @SDC	40					Defra Capital Grant
Capitalise Contractor Fees	50					Defra Capital Grant
Capitalise Leases	100					Defra Capital Grant
Meadow Blue Extension	400					Defra Capital Grant
Jack & Jill Car Park	100					Defra Capital Grant
OVESCO Solar farm	100					Defra Capital Grant
Rother Action with WRT	30					Defra Capital Grant
BioChar Unit	75					Defra Capital Grant
Holden Farm Ponds	30					Defra Capital Grant
East Brighton GC Tractor	12					Defra Capital Grant
Spatial Mapping Tool	10					Defra Capital Grant
Planning Carbon system	20					Defra Capital Grant
OVCA kit	25					Defra Capital Grant
Foley Beavers	50					Defra Capital Grant
Saddlescombe Hedges	8					Defra Capital Grant
Mill Hill Grassland	12					Defra Capital Grant
Sand Martins	15					Defra Capital Grant
Cissbury Fields	57					Defra Capital Grant
Hove Golf Course	25					Defra Capital Grant
Heyshott Hedgerows	30					Defra Capital Grant
Drainage Alfriston	250					Access Capital
Drainage Salt Hill	75					Access Capital
River Arun Flood Bank	25					Access Capital
Housdean Ramp	10					Access Capital
Midhurst Common and Jubilee Path	10					Access Capital
Linchmere Path	15					Access Capital
Sight Impairment Interpretation	15					Access Capital
ROW WSCC	10					Access Capital
ROW ESCC	10					Access Capital
ROW B&H	10					Access Capital
ROW HCC	10					Access Capital
Accessibility Equipment	25					Access Capital
Streetview 360 route imagery	20					Access Capital
Weald and Downland Museum Westdean link	100					Access Capital
Mobile Audio Conferencing Kit	40					Invest to Save
<b>Total Capital Budget</b>	<b>3,479</b>	-	-	-	-	

- 5.2 Financing of the Capital Programme has been informed by the key principles in section 4 above. Expenditure shall only be included in the Capital Programme when financing has been identified and considered. Table 2 below shows how it is anticipated the Capital Programme will be financed.
- 5.3 Confirmation of the new capital grant that is available for 2026/27 has allowed for the whole capital programme to be funded by the Defra capital, Access Capital and FIPL grants. This level of funding preserves the reserves allowing for mitigation of the future deficits as outlined in the MTFs.

<b>Table 2: Capital Programme Financing</b>	<b>2026/27 £'000</b>	<b>2027/28 £'000</b>	<b>2028/29 £'000</b>	<b>2029/30 £'000</b>	<b>2030/31 £'000</b>
Defra NPA Grant	2,000				
Access Capital	584				
FIPL	855				
Borrowing					
Capital Receipts					
Capital and Earmarked Reserves	40				
Direct Revenue Funding					
Other					
<b>Total Capital Financing</b>	<b>3,479</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

- 5.4 The total capital grant for 2026/27 is £2.000m, the Authority is utilising this grant in the following way; £1.600m to fund the capital works costs, £0.400m to fund the capitalisation of salaries from revenue and lease costs.
- 5.5 The following spend re-profiles were approved by Policy & Resources Committee at its meeting on 19 February 2025, these will form part of the opening capital budgets for 2026/27, and it is anticipated that all of these will be funded without the need for borrowing and not impacting the Treasury Management Strategy.

<b>Project Title</b>	<b>Month 9 Re-profile £'000</b>	<b>Comment</b>
Centurion Way	159	Re-profile: Carry forward balance on CIL
Dew Pond Project	41	Re-profile: Carry forward external funding
Downs to the Sea- Recovery and Resilience Wetlands	2,211	Re-profile: Multi Year project
Grazier Project	30	Re-profile: Carry forward external funding
Hampshire Hangars	84	Carry forward external funding
Midhurst Shoring Up Works	105	Re-profile: Carry forward balance until resolved
Pen Hill Ponds	27	Re-profile: Carry forward of Trust Contribution
Revealing Grandfather's Bottom	98	Re-profile: Carry forward external funding
Vehicle Purchase	30	Re-profile: No plans for vehicle purchase in 25-26
<b>Total</b>	<b>2,785</b>	

## **6. Debt, Borrowing and Treasury Management**

- 6.1 The Authority has adopted CIPFA's Code of Practice for Treasury Management in Local Authorities. The authority is responsible for approving the Treasury Strategy setting out the matters detailed in "Treasury Management in the Public Services: Code of Practice for Treasury Management in Local Authorities". This code is applicable to national park authorities.
- 6.2 Under the Prudential Code and Treasury Management Code, the authority is required to set parameters around its borrowing and treasury activity, including an authorised borrowing limit for each year which cannot be breached. Additionally, when funding capital expenditure through borrowing, the Authority is required to set aside a sum from revenue each year to repay the debt, known as the Minimum Revenue Provision (MRP).
- 6.3 The Policy & Resources Committee is responsible for proposing a Treasury Strategy before the start of the year and for monitoring treasury management performance. The Chief Finance Officer is responsible for reporting treasury management activities to the committee and for making delegated treasury management decisions.
- 6.4 All decisions on borrowing, investment or financing are delegated to the Chief Finance Officer, and such officers as he/she may nominate, who shall be required to act in accordance with the Code of Practice referred to in the authority's Treasury Management Statement Strategy.
- 6.5 The Local Government Act 2003 permits local authorities (and therefore national parks) to borrow to finance capital expenditure provided that the plans are affordable, prudent and sustainable in the long term. This means that capital expenditure should form part of a capital investment strategy and should be carefully prioritised to maximise the benefit.

## **7. Commercial Activity**

- 7.1 The authority has assets which are part of the Seven Sisters County Park which may be defined as commercial for Statement of Accounts reporting purposes. The operational purpose is for holding and investing in these assets is not commercial but in line with statutory purpose of the national park itself.

## **8. Other Long-term liabilities**

- 8.1 The authority has one long-term financial liability which is the 'loan arrangement' with East Sussex County Council associated with the transfer of Seven Sister County Park in July 2021. The balance at inception was £0.875 million to be repaid in equal instalments over 25 years with the repayment value indexed annually by the Retail Price Index. The cost of this is covered by income generated by Seven Sisters.

## **9. Knowledge and Skills**

- 9.1 The authority's Chief Finance Officer has delegated responsibility for the Authority's treasury and capital financing activities. This post requires the post holder to be a qualified accountant. The Chief Finance Officer is a ACCA qualified accountant who follows an ongoing programme of Continuous Professional Development (CPD).
- 9.2 The authority's treasury and capital strategies are produced and maintained by professionally qualified accountants and who have extensive relevant experience. The authority is able to access appropriate specialist and technical advice regarding its treasury investment and borrowing activity. Officers involved in treasury management regularly attend training and participate in CPD and ensure that their relevant professional knowledge is up to date.
- 9.3 The authority's Treasury Management Strategy is also reviewed by the Head of Finance & Corporate Services, who is a qualified accountant and is able, if necessary, to seek advice from other treasury specialists who are independent of Brighton & Hove City Council. The Authority's Treasury Management Strategy is jointly reported to Policy & Resources

Committee by the Chief Finance Officer and Head of Finance & Corporate Services for the committee's approval and recommendation to the Authority.

- 9.4 All of the authority's capital projects have project teams made up of officers from relevant professional disciplines from across the authority. These project teams may access external specialist advice regarding projects where required.
- 9.5 Training is available for members who are responsible for decision making and scrutiny of treasury decisions to ensure their skills and knowledge are kept up to date for their involvement in this area.

**10. Chief Finance Officer Statement**

- 10.1 This Capital Strategy is compiled in line with the requirements of the 2018 CIPFA Prudential Code and the 2018 Treasury Management Code.
- 10.2 The Chief Finance Officer has reviewed the strategy against best practice advice from CIPFA and expert advisers and considers the strategy to be prudential, sustainable and affordable within the risk framework of the authority and has ensured that it is fully integrated with the Authority's Medium Term Financial Strategy, Treasury Management Strategy and Capital Strategy.



## **AGENDA ITEM 12 REPORT NPA25/26-28 APPENDIX 3**

### **TREASURY MANAGEMENT STRATEGY 2026/27**

#### **Contents**

1. Introduction
2. Treasury Management Policy Statement 2026/27
3. Reporting Requirements
4. Borrowing Strategy
5. Prudential and Treasury Indicators 2026/27 to 2028/29
6. Minimum Revenue Provision Policy Statement
7. Annual Investment Strategy 2026/27
8. Other Treasury Matters

#### **1. Introduction**

The Authority is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in counterparties or instruments commensurate with the Authority's risk appetite, prioritising adequate liquidity before considering investment return.

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 that the Authority can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn down may be restructured to meet risk or cost objectives.

#### **2. Treasury Management Policy Statement 2026/27**

The following paragraphs set out the Authority's Treasury Management Policy Statement for the year commencing 1 April 2026:

1 The Authority defines its treasury management activities as:

- *“The management of the organisation's cash flows, its banking, money market and capital market transactions; the effective management of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.”*

2 The Authority regards the successful identification, monitoring and management 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 Authority.

3 The Authority 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 in treasury management and to employing suitable performance measurement techniques within the context of effective risk management.

#### **3. Reporting Requirements**

##### Capital Strategy

The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report, to 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 risks are managed;

- the implications for future financial sustainability.

The aim of the strategy is to ensure that all the Authority's elected members fully understand the overall long-term policy objectives and resulting Capital Strategy requirements, governance procedures and risk appetite.

This Capital Strategy is reported separately from the Treasury Management Strategy Statement with non-treasury investments being reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy-driven and commercial investments usually driven by expenditure on an asset.

#### Treasury Management Reporting

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.

- a. **Prudential and treasury indicators, and treasury strategy** (this report) - The first, and most important report, is forward looking and covers:
  - i. the capital investment plans, (including prudential indicators);
  - ii. a Minimum Revenue Provision (MRP) policy, (how residual capital expenditure is charged to revenue over time);
  - iii. the Treasury Management Strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
  - iv. an Annual Investment Strategy, (the parameters on how investments are to be managed).
- b. **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. This requirement is incorporated into the Month 6 Budget Monitoring report.
- c. **An annual treasury management report** – This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy. This requirement is incorporated into the Outturn report.

*The Authority delegates responsibility for implementation and monitoring of Treasury Management to Policy & Resources committee (P&R) and responsibility for the execution and administration of treasury management decisions to the Section 151 Officer.*

In addition to the above, quarterly reporting is provided on the Treasury position and Prudential Indicators to be included in the Month 4 and Month 9 Budget Monitoring reports to fulfil the reporting requirements per the update of the 2021 Treasury Code.

#### **4. Borrowing Strategy**

The capital expenditure plans of the Authority are set out in the approved Capital Strategy to be approved at the NPA meeting 20 March 2026 and shown in Table I below. The treasury management function of the Authority ensures that the Authority's cash is managed in accordance with the relevant professional codes so that sufficient cash is available to meet the capital expenditure plans.

Any capital investment that is not funded from new and/or existing resources (e.g. capital grants, receipts from asset sales, revenue contributions or earmarked reserves) increases the Authority's need to borrow, represented by the Authority's Capital Financing Requirement (CFR). However, external borrowing does not have to take place immediately to finance related capital expenditure: the Authority can utilise cash being held for other purposes (such as earmarked reserves and working capital balances) to temporarily defer the need for external borrowing. This is known as 'internal borrowing' or 'under-borrowing'.

The Authority's primary objective is to strike an appropriate balance between securing cost certainty and securing low interest rates.

#### Capital Prudential Indicators

The Authority's capital expenditure plans are a key driver for Treasury Management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

Tables 1 and 2 show the capital expenditure plans of the Authority, and the implications of these on the Capital Financing Requirement over the 3-year period to 2028/29. These indicators have been included in the TMSS for a number of years to demonstrate the affordability and sustainability of the Authority's capital activity.

A further prudential indicator required by the 2021 code is the Liability Benchmark. This benchmark measures the authority's external debt levels net of the external investments, with the inclusion of a liquidity buffer against the Authority's CFR projection. This measure assumes that the authority will internally borrow almost all its available cash balances held in reserves and balances, with an allowance ensure it is able to meet its cash obligations.

The liability benchmark has been produced as Graph 1 below with notes included to explain each element of the graph and the Authority's assumptions and forward view.

#### Borrowing Strategy for 2026/27

The Authority's has a fully funded capital programme for the period 2026/27 to 2028/29, therefore no new borrowing is required in the period as shown in **Table 1** below.

2025/26 Estimate £'000	Table 1: Borrowing Need	2026/27 Estimate £'000	2027/28 Estimate £'000	2028/29 Estimate £'000
2,442	Capital Expenditure	6,264	-	-
(2,442)	Financed by New / Existing Resources	(6,264)	-	-
<b>0</b>	<b>Borrowing Need</b>	<b>0</b>	<b>0</b>	<b>0</b>

If a borrowing need occurs, the strategy will focus on meeting any borrowing need internally i.e. avoiding external borrowing by utilising the Authority's own surplus cash flows. This will reduce the net revenue cost of borrowing and reduce counterparty risk within the Authority's investment portfolio by reducing the portfolio size. The internal borrowing position needs to be closely monitored and continually reviewed to avoid incurring higher borrowing costs in the future at a time when the authority may not be able to avoid new borrowing to finance capital expenditure.

There will remain a cost of carry (the difference between borrowing costs and investment returns) to any new long-term borrowing that causes a temporary increase in cash balances which will, most likely, lead to an additional short-term revenue cost.

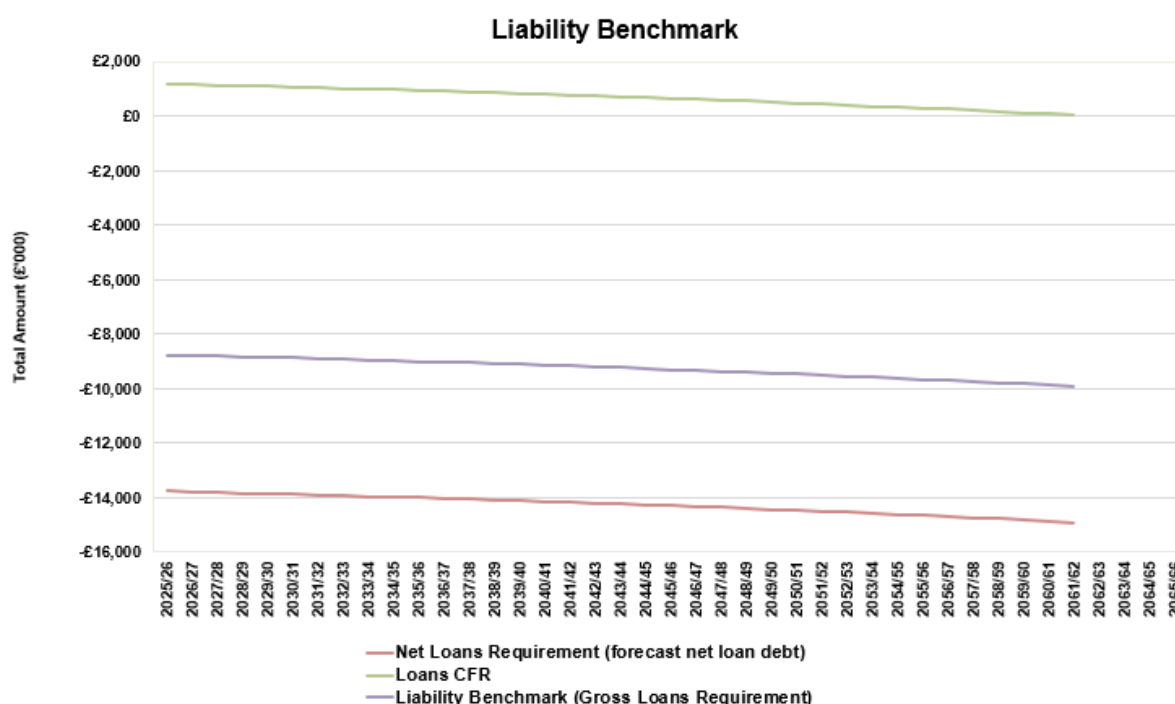
**Table 2** below shows the movement in the Authority's Capital Financing Requirement (CFR) and compares this to the expected external debt level. This demonstrates that the CFR is expected to be entirely internally borrowed over the period.

2025/26 Estimate	Table 2: Change in the CFR compared to External Debt	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
£'000		£'000	£'000	£'000
0	External Debt at 1 April	0	0	0
0	Expected change in Debt	0	0	0
<b>0</b>	<b>External Debt at 31 March</b>	<b>0</b>	<b>0</b>	<b>0</b>
1,202	CFR* at 1 April	1,180	1,158	1,136
0	Borrowing need (Table 1)	0	0	0
(22)	MRP	(22)	(22)	(23)
<b>1,180</b>	<b>CFR* at 31 March</b>	<b>1,158</b>	<b>1,136</b>	<b>1,113</b>
<b>1,180</b>	<b>Under / (Over) borrowing</b>	<b>1,158</b>	<b>1,136</b>	<b>1,113</b>

\*The CFR in Table 2 above shows the underlying need to borrow and excludes lease arrangements (which is included in the CFR figure in the Prudential Indicators in Section 4)

Liability benchmark

The Liability Benchmark is a measure of the Authority’s borrowing need were it to fully utilise its cash-backed reserves and balances to avoid external borrowing. It assumes a liquidity buffer is maintained to ensure the Authority’s obligations are able to be met.



- 1) **External Debt** – The maturity profile of the Authority’s debt portfolio would be shown as bars within this chart, but as the Authority are currently debt free, this is not present in the graph.
- 2) **Loans CFR** - This is the projection of the Authority’s underlying borrowing requirement (or CFR) based on the capital plans, and is shown by the top, grey line. The 2025/26 opening Loans CFR was £1.202m, and it is expected to fall in future years. This only shows the Loans CFR projection based on the current capital programme therefore if ongoing borrowing is required then the CFR would rise further and for longer.

- 3) **Net Loans Requirement** – The expected net treasury position is shown by the bottom blue line. This shows a projection of the loans requirements measured by opening external debt for 2025/26 less the opening external investments for 2025/26 (£15.093m). The projections are then based on the expected borrowing within the capital programme and the expected movement in reserves and balances. This shows that the Authority had more external investments than external debt as at 31/03/25, which is expected to continue as there is no borrowing requirement.
- 4) **Liability Benchmark** – The liability benchmark is calculated as the Net Loan Requirement, with a liquidity buffer of £5m incorporated to ensure the Authority has sufficient cash to meet its obligations. This measure shows the level to which the Authority can internally borrow based on the projection of the capital programme and movement of reserves, allowing for a liquidity buffer. Due to the level of reserves expected over the long-term, the liability benchmark remains a negative figure for the whole forecast period.

This graph demonstrates that the Authority does not need to externally borrow and instead can afford to meet its borrowing requirement by internally borrowing the cash held within its own reserves and balances.

Whilst the Liability Benchmark is a good indicator of the Authority's direction of travel in terms of borrowing need, it assumes that capital borrowing stops after the current capital planning period, and ignores future borrowing beyond the planning period. Therefore it should not be used in isolation when making long term decisions, but as part of a range of factors.

#### Policy on Borrowing in Advance of Need

The Authority will not borrow purely in order to profit from investment of extra sums borrowed. Any decision to borrow in advance will be within 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. Risks associated with any borrowing-in-advance activity will be subject to prior appraisal and subsequent reporting.

#### Debt Rescheduling

Should the Authority carry debt in future, opportunities for debt rescheduling will be considered as a matter of course where there is a clear difference between new borrowing and repayment rates which could result in savings.

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhancing the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

#### Interest Rate Risk & Continual Review

The Authority's maximum underlying borrowing need of £1.180 million as identified in Table 2 is the extent to which the Authority is subject to interest rate risk over the next three years. Officers will review the need to borrow taking into consideration the potential increases in borrowing costs, the need to finance new capital expenditure, the need to refinance maturing debt (if any), availability of internal borrowing, and the cost of carry that might incur a revenue loss between borrowing costs and investment returns. The Chief Finance Officer will therefore continue to monitor interest rates in financial markets and adopt a proactive approach to changing circumstances.

## 5. Prudential and Treasury Indicators 2026/27 to 2028/29

The Authority's capital expenditure plans are a key driver to treasury management activities. The output of the capital expenditure plans are reflected in prudential indicators. The Authority is required to 'have regard to' the Prudential Code and to set up Prudential Indicators to ensure that the Authority's capital investment plans are affordable, prudent and sustainable. The Code sets out the indicators that must be used but does not suggest limits, as these are for the authority to set itself.

The Prudential Indicators to 2026/27 to 2028/29 are set out in **Table 3** below:

<b>Table 3: Prudential Indicators</b>	<b>2026/27 Estimate £'000</b>	<b>2027/28 Estimate £'000</b>	<b>2028/29 Estimate £'000</b>
<b>Capital Expenditure</b> Capital expenditure plans	6,264	-	-
<b>Capital Financing Requirement*</b> Measures the underlying need to borrow for capital purposes (including leases)	2,171	2,264	2,356
<b>Ratio of financing costs to net revenue stream**</b> Identifies the trend in the cost of capital (borrowing and other long-term obligation costs) against revenue stream	0.19%	0.19%	0.20%

\* The Capital Financing Requirement reported above differs from that at Table 2 as it includes provision for lease liabilities for the purpose of assessing borrowing need.

\*\* The ratio of financing costs to net revenue stream illustrates the percentage of the net revenue budget being used to finance the authority's borrowing.

The Treasury Management Code requires that a number of indicators are set for treasury performance in addition to the Prudential Indicators which fall under the Prudential Code. The Treasury Indicators for 2026/27 to 2028/29 are set out in Tables 4 & 5 below. The Treasury Indicators have been calculated and determined by officers in compliance with the Treasury Management Code of Practice.

<b>Table 4: Treasury Performance Indicators</b>	<b>2025/26 Estimate £'000</b>	<b>2026/27 Estimate £'000</b>	<b>2027/28 Estimate £'000</b>
<b>Authorised Limit for External Debt*</b> The Authority is expected to set a maximum authorised limit for external debt. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Authority.	2,700	2,800	2,900
<b>Operational boundary for external debt*</b> The Authority is required to set an operational boundary for external debt. This is the limit that external debt is not normally expected to exceed. This indicator can be breached temporarily for operational reasons.	2,400	2,500	2,600

<b>Principal Sums invested for longer than 365 days</b>	2,000	2,000	2,000
---	-------	-------	-------

<b>Table 5: Maturity Structure of fixed interest rate borrowing</b> The Authority needs to set upper and lower limits with respect of the maturity structure of its borrowing.		
	<b>Lower Limit</b>	<b>Upper Limit</b>
Under 12 months	0%	40%
12 months to 2 years	0%	40%
2 years to 5 years	0%	50%
5 years to 10 years	0%	75%
Over 10 years	40%	100%

**6. Minimum Revenue Provision Policy Statement**

The authority is required to pay off an element of the accumulated capital spend each year (the Capital Financing Requirement - CFR) through a revenue charge (the Minimum Revenue Provision - MRP). MHCLG regulations require the Authority to approve an MRP Statement in advance of each year if borrowing has been undertaken. A variety of options are available, so long as the principle of any option selected ensures a prudent provision to redeem its debt liability over a period commensurate with that over which the capital expenditure is estimated to provide benefits (i.e. estimated useful life of the asset being financed).

The Authority is recommended to approve the following MRP Statement for 2026/27:

**For all debt where the government has provided revenue support (supported capital expenditure), the MRP policy will be:**

- Provision on a straight line basis over 50 years.

**For all debt where the government does not provide revenue support:**

- Where the debt relates to an asset, the Authority will set aside a sum equivalent to repaying the debt over the life of the asset either in equal instalments or on an annuity basis over a maximum life of 50 years. The method to be adopted will be determined according to which is the most financially beneficial to the Authority over the life of the asset.
- Where the debt relates to expenditure which is subject to a capitalisation direction issued by the government, the Authority will set aside a sum equivalent to repaying the debt over a period consistent with the nature of the expenditure on an annuity basis.
- In the case of assets under construction, MRP will be delayed until the relevant asset becomes operational.

**Where the debt relates to capital loans to a third party:**

- The repayments of principal will be set aside as capital receipts to finance the initial capital advance in lieu of making an MRP.

**For on-balance sheet PFI schemes and leases:**

- Asset Life Method - the MRP will be calculated according to the flow of benefits from the asset. Any related MRP will be equivalent to the “capital repayment element” of the annual charge payable.

There is the option to charge more than the prudent provision of MRP each year through a Voluntary Revenue Provision (VRP).

## 7. Annual Investment Strategy 2026/27

The MHCLG and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals with financial investments. Non-financial investments are covered in the Capital Strategy.

The Authority’s investment policy has regard to the following:

- MHCLG’s Guidance on Local Government Investments (the “Guidance”);
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 (the “Code”);
- CIPFA Treasury Management Guidance Notes 2021

Investments will be made with reference to the core balance, cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

Greater returns are usually achievable by investing for longer periods. While most cash balances are required in order to manage the peaks and troughs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

The annual investment strategy sets out the parameters within which the Authority’s cash balances and reserves will be invested. The strategy concentrates on two key areas:

- a) capital security through investment in institutions with the highest credit ratings, and;
- b) liquidity by limiting the maximum period of investment.

### Investment classification (regulatory)

The investment guidance issued by the Secretary of State requires the Authority to identify investments as either ‘specified’ or ‘non-specified’.

This authority has defined the list of types of investment instruments that the treasury management team are authorised to use.

- **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year. The limits and permitted instruments for specified investments are listed within Table 6.
- **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use. The limits and permitted instruments for non-specified investments are listed within Table 7.

### Criteria to be used for creating / managing approved counterparty lists / limits

Each counterparty included on the Authority’s approved lending list must meet the criteria set out below. Without the prior approval of the Section 151 Officer, no investment will be made in a counterparty that falls outside the list below.

Any change in investment parameters and allowable investment instruments must be presented for approval by the NPA.

Credit ratings will be based on those issued periodically by the Fitch Ratings Group, Moody’s and Standard & Poors.

**Table 6** below summarises the types of specified investment counterparties available to the Authority, and the maximum amount and maturity periods that can be placed with each of these. A full list of the Authority’s counterparties and the current limits for 2026/27 are provided at **Table 8**.

When assessing credit ratings to ascertain limits for each counterparty, the lowest short and long term ratings from each of the three ratings agencies is applied. For simplicity, the ratings for Standard & Poor’s are used in the tables below.

<b>Table 6: Criteria for Specified Investments</b>	<b>Country/ Domicile</b>	<b>Minimum Capital Requirements</b>	<b>Min. Credit Criteria (L/term / S/term)</b>	<b>Max. Amount</b>	<b>Max. maturity period</b>
UK Banks & Building Societies	UK	Must meet minimum credit criteria	AA- / A-1+	£10m	12 months
			A / A-1	£5m	12 months
			BBB / A-2	£5m	6 months
Debt Management and Deposit Facilities (DMADF)	UK	N/A	N/A	£5m	12 months
UK Local Authorities (excluding Brighton & Hove City Council)	UK	N/A	UK Sovereign Rating	£5m	12 months
Brighton & Hove City Council*	UK	N/A	N/A	N/A	Liquid
Non-rated Building Societies	UK	Must have an asset base of at least £5bn at the time of investment	N/A	£5m	6 months
Money Market Funds (CNAV and LVNAV)	UK/Ireland/ EU domiciled	Must meet minimum credit criteria	AAA	£5m	Liquid

\* The amount invested in Brighton & Hove City Council will be the amount available for investment less investment made in any other approved counterparty.

<b>Table 7: Criteria for Non-Specified Investments</b>	<b>Country/ Domicile</b>	<b>Min. Credit Criteria</b>	<b>Max. Amount</b>	<b>Max. maturity period</b>
Short Date Bond Funds	UK/Ireland/ EU domiciled	Short Dated bond funds are not rated. A selection process will evaluate relative risks & returns. Security of the Authority's money and fund volatility will be key measures of suitability.	£2m	Liquid

Maximum permitted investment by counterparty / sector

The maximum amount invested in any one counterparty will be established in accordance with the criteria set out **Tables 6 and 7** above, based on each counterparty's credit rating.

The maximum amount invested in any one sector will be 100%, with the exception of the building society sector where the maximum limit will be 75%.

Where practicable, no one counterparty may have more than 75% of the relevant sector total at the time the investment is made.

#### Approved methodology for changing limits and adding / removing counterparties

A counterparty shall be removed from the Authority's list where a change in their credit rating results in a failure to meet the minimum credit rating set out in "Criteria to be used for creating / managing approved counterparty lists / limits" above.

A new counterparty may only be added to the list with the written prior approval of the Chief Finance Officer and only where the counterparty meets the minimum criteria set out above.

A counterparty's exposure limit and investment period will be reviewed and (changed where necessary) in accordance with the criteria set out in **Tables 6 and 7** following notification of a change in that counterparty's credit rating or a view expressed by the credit rating agency warrants a change.

A counterparty's exposure limit will also be reviewed where information contained in the financial press or other similar publications indicates a possible worsening in credit worthiness of a counterparty. The review may lead to the suspension of a counterparty where it is considered appropriate to do so by the Section 151 Officer.

#### Full individual listings of UK Bank and Building Society counterparties and counterparty limits

A full list of UK Bank and Building Society counterparties, together with counterparty limits, is set out in **Table 8**.

<b>Table 8 – Schedule of Counterparties and counterparty limits</b>		
<b>Institution</b>	<b>Lending Limit</b>	<b>Duration limit (months)</b>
<b>UK Banks</b>		
<b>Lloyds Banking Group:</b>		
Bank of Scotland PLC (RFB)	£5m	12
Lloyds Bank PLC (RFB)	£5m	12
Lloyds Bank Corporate Markets PLC (NRFB)	£5m	12
**Total max. exposure to Lloyds Banking Group	£5m	12
<b>Barclays Banking Group:</b>		
Barclays Bank PLC (NRFB)	£5m	12
Barclays Bank UK PLC (RFB)	£5m	12
**Total max. exposure to Barclays Banking Group:	£5m	12
<b>RBS/Natwest Group:</b>		
Natwest Markets PLC (NRFB)	£5m	12
National Westminster Bank PLC (RFB)	£5m	12
The Royal Bank of Scotland PLC	£5m	12
**Total max. exposure to RBS/Natwest Group:	£5m	12
<b>HSBC Group:</b>		
HSBC Bank PLC (NRFB)	£5m	12
HSBC UK Bank PLC (RFB)	£5m	12
**Total max. exposure to HSBC Group:	£5m	12
Goldman Sachs International Bank	£5m	12
Santander UK PLC	£5m	12
Standard Chartered Bank	£5m	12
<b>UK Building Societies</b>		
Nationwide	£5m	12

\*\* Where there are multiple counterparties within a banking group, exposure to the overall group will be the largest limit, but exposure to individual counterparties within the group will be based on the individual counterparty limit.

#### Permitted types of investment instrument

All investments will be denominated in Sterling and in fixed term and/or variable term cash deposits, money market funds, short-dated bond funds and open-ended investment companies.

#### Investment risk

In addition to credit ratings, the Authority will apply additional operational market information before making any specific investment decision. This additional market information will be applied to compare the relative security of different investment counterparties.

The Authority is recommended to agree a benchmark risk factor for 2026/27 of 0.05%. The purpose of the benchmark is to monitor current and trend positions and amend the operational strategy depending on any changes.

Liquidity is achieved by limiting the maximum period for investment and by investing to dates where cash flow demands are known or forecast.

#### Ethical investment statement

South Downs National Park Authority, in making investments through its treasury management function, fully supports the ethos of socially responsible investments. The Authority will actively seek to communicate this support to those institutions invested in as well as those it is considering investing in by:

- encouraging those institutions to adopt and publicise policies on socially responsible investments;
- requesting those institutions to apply the Authority's deposits in a socially responsible manner.

## **8. Other Treasury Matters**

### Banking Services

Lloyds Bank plc currently provides banking services for the Authority.

### Training

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.

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.

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/Authority 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/Authority members, encouraging

them to highlight training needs on an ongoing basis.”

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.

Training was last provided for members in January 2026.

The training needs of treasury management officers are periodically reviewed.

A formal record of the training received by officers central to the Treasury function and members who are responsible for decision making and scrutiny of the Treasury function is maintained by the Principal Accountant (Treasury).

#### Policy on the use of External Service Providers

Brighton & Hove City Council uses MUFG as its external treasury management advisors on behalf of the Authority.

The Authority recognises that responsibility for treasury management decisions remains with the Authority at all times and will ensure that undue reliance is not placed upon our external service providers. 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 Treasury Management service will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subject to regular review.

#### Lending to Third Parties

The Authority has the power to lend monies to third parties subject to a number of criteria. These are not treasury type investments, rather they are policy investments. Any activity will only take place after relevant due diligence has been undertaken, as described in the Capital Strategy.

#### Update to Treasury and Prudential CIPFA Codes

CIPFA published the revised Treasury and Prudential codes in 2021. Full adoption of the new Codes was fully incorporated within the strategy from 2023/24.

#### Updates to Accounting Requirements

##### ▪ **IFRS 9 – local authority override – English local authorities**

The MHCLG has extended the IFRS 9 statutory override to apply to existing local authority investments in pooled investment funds that were made before 1st April 2024. The government has extended this specific override for these existing investments until 1st April 2029, to provide local authorities with additional time to manage their investment strategies.

However, any new investments in pooled investment funds made on or after 1st April 2024 are subject to the standard IFRS 9 accounting requirements, meaning fair value movements must be recognised directly in the general fund. The override prevents these "paper" fluctuations from immediately impacting the authority’s revenue accounts and annual balanced budget requirement.

Additionally, IFRS9 impacts the write-down in the valuation of impaired loans.

The Authority doesn’t currently invest in any funds that will be impacted by this change.

## **ECONOMIC OVERVIEW & INTEREST RATE VIEW**

### **Provided by MUFG December 2025**

The first half of 2025/26 saw:

- A 0.3% pick up in GDP for the period April to June 2025. More recently, the economy flatlined in July, with higher taxes for businesses restraining growth, but picked up to 0.1% m/m in August before falling back by 0.1% m/m in September.
- The 3m/yy rate of average earnings growth excluding bonuses has fallen from 5.5% to 4.6% in September.
- CPI inflation has ebbed and flowed but finished September at 3.8%, whilst core inflation eased to 3.5%.
- The Bank of England cut interest rates from 4.50% to 4.25% in May, and then to 4% in August (and subsequently to 3.75% in December).
- The 10-year gilt yield fluctuated between 4.4% and 4.8%, ending the half year at 4.70% (before falling back to 4.43% in early November).

### **MPC meetings: 8 May, 19 June, 7 August, 18 September, 6 November, 18 December 2025**

There were six Monetary Policy Committee (MPC) meetings held between April and December. In May, the Committee cut Bank Rate from 4.50% to 4.25%, while in June policy was left unchanged. In June's vote, three MPC members (Dhingra, Ramsden and Taylor) voted for an immediate cut to 4.00%, citing loosening labour market conditions. The other six members were more cautious, as they highlighted the need to monitor for "signs of weak demand", "supply-side constraints" and higher "inflation expectations", mainly from rising food prices. By repeating the well-used phrase "gradual and careful", the MPC continued to suggest that rates would be reduced further.

In August, a further rate cut was implemented. However, a 5-4 split vote for a rate cut to 4% laid bare the different views within the Monetary Policy Committee, with the accompanying commentary noting the decision was "finely balanced" and reiterating that future rate cuts would be undertaken "gradually and carefully". Ultimately, Governor Bailey was the casting vote for a rate cut but with the CPI measure of inflation expected to reach at least 4% later this year, the MPC was wary of making any further rate cuts until inflation begins its slow downwards trajectory back towards 2%.

With wages still rising by just below 5%, it was no surprise that the September meeting saw the MPC vote 7-2 for keeping rates at 4% (Dhingra and Taylor voted for a further 25bps reduction). Moreover, the Bank also took the opportunity to announce that they would only shrink its balance sheet by £70bn over the next 12 months, rather than £100bn. The repetition of the phrase that "a gradual and careful" approach to rate cuts is appropriate suggested the Bank still thought interest rates will fall further.

At the 6 November meeting, Governor Bailey was once again the deciding vote, keeping Bank Rate at 4% but hinting strongly that a further rate cut was imminent if data supported such a move. By 18 December, with November CPI inflation having fallen to 3.2%, and with Q2 GDP revised down from 0.3% q/q to only 0.2% q/q, and Q3 GDP stalling at 0.1%, the MPC voted by 5-4 to cut rates further to 3.75%. However, Governor Bailey made it clear that any further reductions would require strong supporting data, and the pace of any further decreases would be slow compared to recent months. The markets expect Bank Rate to next be cut in April.

### **Prospects for Interest Rates**

The Authority has appointed MUFG Corporate Markets as its treasury advisor and part of their service is to assist the Authority to formulate a view on interest rates. MUFG Corporate Markets provided the following forecasts on 22 December 2025. These are forecasts for Bank Rate, average earnings and PWLB certainty rates, gilt yields plus 80 bps.

MUG Interest Rate View 22.12.25													
	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28	Mar-29
<b>BANK RATE</b>	3.75	3.50	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
3 month ave earnings	3.80	3.50	3.50	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30
6 month ave earnings	3.80	3.50	3.50	3.40	3.30	3.30	3.30	3.40	3.40	3.40	3.40	3.40	3.40
12 month ave earnings	3.90	3.60	3.60	3.50	3.40	3.50	3.50	3.50	3.50	3.50	3.60	3.60	3.60
5 yr PWLB	4.60	4.50	4.30	4.20	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10
10 yr PWLB	5.20	5.00	4.90	4.80	4.80	4.70	4.70	4.70	4.70	4.60	4.60	4.60	4.70
25 yr PWLB	5.80	5.70	5.60	5.50	5.50	5.40	5.30	5.30	5.30	5.20	5.20	5.20	5.20
50 yr PWLB	5.60	5.50	5.40	5.30	5.30	5.20	5.10	5.10	5.10	5.00	5.10	5.00	5.00

Our last interest rate forecast update was undertaken on 11 August. Since then, a combination of tepid growth (0.2% q/q GDP for Q2 and 0.1% q/q GDP for Q3), falling inflation (currently CPI is 3.2%), and a November Budget that will place more pressure on the majority of households' income, has provided an opportunity for the Bank of England's Monetary Policy Committee to further reduce Bank Rate from 4% to 3.75% on 18 December.

Accordingly, the MUG Corporate Markets forecast has been revised to price in a rate cut in Q2 2026 to 3.5%, likely to take place in the wake of a significant fall in the CPI inflation reading from 3% in March to 2% in April (as forecast by Capital Economics), followed by a short lull through the summer whilst more data is garnered, and then a further rate cut to 3.25% in Q4.

As in August, nonetheless, threats to that central scenario abound. What if wage increases remain stubbornly high? There are, after all, several sectors of the domestic economy, including social care provision and the building/construction industries, where staff shortages remain severe. Moreover, by May 2026, following the local elections, we will have a better handle on whether or not the Starmer/Reeves team is going to see out the current Parliament or whether they face a Leadership challenge from within their own party. If so, how will gilt markets react to these variables...and will there be additional geo-political factors to also bake in, particularly the Fed's monetary policy decisions in 2026 and the ongoing battle to lower rates whilst inflation remains close to 3%.

Accordingly, our updated central forecast is made with several hefty caveats. We are confident, as we have been for some time, that our forecast for Bank Rate and the 5-year PWLB Certainty Rate is robust, and we have marginally brought forward the timing of the next rate cut(s). But for the 10-, 25- and 50-years part of the curve, the level of gilt issuance, and the timing of its placement, will be integral to achieving a benign trading environment. That is not a "given", and additionally, the inflation outlook and political factors domestically and, crucially, in the US, are also likely to hold sway. Matters should be clearer by June in the UK, but the US mid-term elections are scheduled for November.

Our revised PWLB rate forecasts are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1 November 2012. Please note, the lower Housing Revenue Account (HRA) PWLB rate started on 15 June 2023 for those authorities with an HRA (standard rate minus 60 bps) and is set to prevail until at least the end of March 2026. Hopefully, there will be a further extension to this discounted rate announced in January.

Money market yield forecasts are based on expected average earnings by local authorities for 3 to 12 months.

## Gilt yields and PWLB rates

The overall longer-run trend is for gilt yields and PWLB rates to fall back over the timeline of our forecasts, but the risks to our forecasts are generally to the upsides. Our target borrowing rates are set two years forward (as we expect rates to fall back) and the current PWLB (certainty) borrowing rates are set out below: -

PWLB debt	Current borrowing rate as at 22.12.25 p.m.	Target borrowing rate now (end of Q4 2027)	Target borrowing rate previous (end of Q4 2027)
5 years	4.81%	4.10%	4.20%
10 years	5.39%	4.70%	4.70%
25 years	6.01%	5.30%	5.30%
50 years	5.78%	5.10%	5.10%

Borrowing advice: Our long-term (beyond 10 years) forecast for the neutral level of Bank Rate remains at 3.5%. As all PWLB certainty rates are still above this level, borrowing strategies will need to be reviewed in that context. Overall, better value can be obtained at the shorter end of the curve (<5 years PWLB maturity/<10 years PWLB EIP) and short-dated fixed LA to LA monies should also be considered. Temporary borrowing rates will, generally, fall in line with Bank Rate cuts.

Our suggested budgeted earnings rates for investments up to about three months' duration in each financial year are set out below.

Average earnings in each year	Now	Previously
2025/26 (residual)	3.80%	3.90%
2026/27	3.40%	3.60%
2027/28	3.30%	3.30%
2028/29	3.30%	3.50%
2029/30	3.50%	3.50%
Years 6 to 10	3.50%	3.50%
Years 10+	3.50%	3.50%

We will continue to monitor economic and market developments as they unfold. Typically, we formally review our forecasts following the quarterly release of the Bank of England's Monetary Policy Report but will consider our position on an ad hoc basis as required.

Our interest rate forecast for Bank Rate is in steps of 25 bps, whereas PWLB forecasts have been rounded to the nearest 10 bps and are central forecasts within bands of + / - 25 bps. Naturally, we continue to monitor events and will update our forecasts as and when appropriate.



**AGENDA ITEM 12 REPORT NPA25/26-28 APPENDIX 4****RESERVES 2026/27**

<b>Reserve Type and Title</b>	<b>Estimated Opening Balance 2026/27</b>	<b>Movement between reserves 2026/27</b>	<b>Contribution to / (from) reserves 2026/27</b>	<b>Estimated closing balance 2026/27</b>	<b>Purpose of Reserve</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
<b>Risk Reserves:</b>					
Working Balance	672	290	-	962	10% of Core NPA grant held in working balance
Planning	328		(220)	108	Funding one off planning costs in year
S106 Interest on Stat receipts	637	(319)	49	367	Move 50% of opening balance to general reserve
<b>Total Risk Reserves</b>	<b>1,637</b>	<b>(29)</b>	<b>(171)</b>	<b>1,437</b>	
<b>General Reserves:</b>					
General Reserve	854	1,177		2,031	Includes contribution to reserves following the Defra grant uplift.
<b>Total General Reserves</b>	<b>854</b>	<b>1,177</b>	<b>-</b>	<b>2,031</b>	
<b>Earmarked Reserves:</b>					
Partnership Management Plan	100			100	
Strategic Fund	253	(253)		-	Move balance to general reserve
Affordable Housing	161			161	
Invest to save	1,017	(853)	(40)	124	Move balance to general reserve / Energy efficiency SDC
Climate Change Fund Reserve	42	(42)		-	
Green Finance	921		163	1,084	£0.051m interest / £0.238m generated in year / £0.126m used in year for revenue purposes.
<b>Total Earmarked Reserves</b>	<b>2,494</b>	<b>(1,148)</b>	<b>123</b>	<b>1,469</b>	
<b>Funds in Lieu of agreements</b>					
S106 Receipts reserve	249			249	
CIL Reserve	7,421			7,421	
<b>Total funds in lieu of agreements</b>	<b>7,670</b>	<b>-</b>	<b>-</b>	<b>7,670</b>	

<b>Capital Reserves:</b>					
Capital Receipts	39			39	
Estates Management Reserve	50			50	
Vehicle repairs and renewals	5			5	
<b>Total capital reserves</b>	<b>94</b>	-	-	<b>94</b>	
<b>Total Reserves</b>	<b>12,749</b>	-	<b>(48)</b>	<b>12,701</b>	

- \* The value of the Community Infrastructure Levy reserve represents amounts receivable in accordance with Financial Regulations and the Town and County Planning Act 1990. The reserve value may not represent the value of actual income received due to agreed payment terms and the profile of payments for some developments. The movement in reserve represents an estimated 'net' movement of funds issued offset by further CIL income.
- \*\* Note that after setting aside necessary risk reserves, capital reserves and reserves held in lieu of legal (planning) agreements (i.e. CIL / S106), the reserves under the direct control of the Authority are expected to be £3.442m as at 1 April 2026 which will be allocated as Earmarked Reserves to meet identified projects, priorities and invest-to-save requirements as set out above.

## **AGENDA ITEM 12 REPORT NPA25/26-28 APPENDIX 5**

### **MEDIUM TERM FINANCIAL STRATEGY 2026/27 – 2030/31**

The Medium Term Financial Strategy (MTFS) has been developed in line with the approved Budget Framework. The Authority's financial planning and resource allocation has taken into account the following assumptions:

- to be an administratively lean, efficient organisation;
- to work with others (stakeholders and partners);
- to use limited contributions to activities to encourage and lever greater contributions from others;
- focus on S.M.A.R.T. (Specific, Measurable, Attainable, Relevant, Time bound) targets and outcomes;
- maintain flexibility (for example; able to change quickly if circumstances alter).

The following rules, which promote best practice and comply with relevant financial standards and legislation have been applied. The Authority must:

- set a balanced budget and maintain adequate reserves;
- avoid aspirations or commitments which are ultimately unaffordable and avoid making ongoing commitments unless they are essential;
- seek to secure efficiency gains and improvements in value for money;
- seek to maximise income taking into account any related additional costs;
- not incorporate contingencies into individual budgets but will retain an overall contingency corporately because of potential risks.

The Authority has continued to adopt a prudential approach to budget setting with an established permanent staffing structure and temporary posts for short term projects. This approach will ensure that the Authority does not recruit to posts that become unaffordable in the longer term and will provide some flexibility in resources to fund priorities identified in the PMP. The assumptions underpinning the Medium-Term Financial Strategy are:

- Defra National Park Grant allocation assumed for 2026/27 and subsequent years as the same as the 2025/26 grant allocation
- All costs have been inflated using the latest information provided by the Office of Budget Responsibility.<sup>1</sup>
- From 2027/28 additional levels of income have been included, based on activity expected to happen over the coming year to allow the Authority to generate more income. This is through raising income following the appointment of the a new Director, allowing for more income generated through the Trust and other miscellaneous income received.

The Authority will explore new external funding opportunities including Local Enterprise Partnership funding and adopt commercial income opportunities as well as continuing to support the South Downs National Park Trust.

The MTFS indicates that there will be a deficit position from 2027/28 of £0.094m rising to £0.935m by 2030/31 (representing a cumulative total of £2.131m over the MTFS) which the Authority will need to address. As there is significant uncertainty surrounding the funding arrangements, Local Government Reform and Devolution it is challenging to present a balanced MTFS. Members are to note the following mitigations that are available to address this position and ensure financial stability in the medium term.

- Use any further underspends from the financial years 2025/26 should they occur. Note this is a short-term measure only and cannot be sustained over the medium term.
- Consider capitalising more eligible costs making and use of the capital funding that is being offered by Defra.
- Review of all projects and their business case ensuring they are still relevant and the funding identified is being utilised in the most financially efficient way.

- Income from the Trust replenishes the reserves to support future years deficits.
- Review all budgets from a zero base to ensure budgets match activity.

The MTFS shown below only provides a high-level summary for information.

<b>MTFS</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>	<b>2030/31</b>
<b>Service Expenditure</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Corporate Strategy	1,916	1,907	1,950	1,993	2,038
Growth And Organisational Development	2,328	2,382	2,437	2,494	2,551
Landscape and Operations	2,945	3,005	3,071	3,138	3,207
Placemaking	5,568	5,487	5,626	5,768	5,915
Strategic Projects	7	7	8	8	8
<b>Total Expenditure</b>	<b>12,764</b>	<b>12,788</b>	<b>13,092</b>	<b>13,401</b>	<b>13,719</b>
<b>Income</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Defra Grant	(9,626)	(9,626)	(9,626)	(9,626)	(9,626)
Other Grants	(82)	(85)	(85)	(85)	(85)
Planning Income	(1,330)	(1,370)	(1,411)	(1,453)	(1,497)
Trust Income	(215)	(301)	(266)	(302)	(223)
SSCP Income	(957)	(986)	(1,009)	(1,033)	(1,058)
Other	(185)	(326)	(205)	(290)	(295)
<b>Total Income</b>	<b>(12,395)</b>	<b>(12,694)</b>	<b>(12,602)</b>	<b>(12,789)</b>	<b>(12,784)</b>
<b>Net Budget</b>	<b>369</b>	<b>94</b>	<b>490</b>	<b>612</b>	<b>935</b>
<b>Contribution to / (from) reserves</b>	<b>(369)</b>				
<b>Revised Deficit / (Surplus)</b>	<b>0</b>	<b>94</b>	<b>490</b>	<b>612</b>	<b>935</b>