

## NORTH WALES CORPORATE JOINT COMMITTEE

### Treasury Management Strategy Statement 2026/27

#### 1. Introduction

- 1.1** Treasury management is the management of the Corporate Joint Committee's cash flows, borrowing and investments, and the associated risks. The Corporate Joint Committee (CJC) will invest substantial sums of money and will therefore be exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Corporate Joint Committee's prudent financial management.
- 1.2** Treasury risk management at the CJC is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2021 Edition* (the CIPFA Code) which requires the CJC to approve a treasury management strategy before the start of each financial year. In addition, the Welsh Government (WG) issued revised Guidance on Local Authority Investments in November 2019 that requires the CJC to approve an investment strategy before the start of each financial year. This report fulfils the CJC's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the WG Guidance.
- 1.3** In accordance with the WG Guidance, the CJC will be asked to approve a revised Treasury Management Strategy Statement should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large unexpected change in interest rates, a change in the level of its investment balance, or a change in the Growth's Deal capital profile.

#### 2. External Context

##### 2.1 Economic background

The most significant impacts on the Council'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.

##### 2.2 Interest rate forecast

The CJC's treasury management adviser, Arlingclose, currently forecasts that the Bank of England's Monetary Policy Committee 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 BoE MPC meeting held on 18th December.

### 3. Treasury Investment Strategy

- 3.1 The CJC holds significant invested funds, representing income received in advance of expenditure. The balance at 31<sup>st</sup> March 2025 was £55.4m and the levels expected for the forthcoming years can be seen in the table below.

**Table 1: Treasury investment summary and forecast**

	<b>31.3.25 Actual £m</b>	<b>31.3.26 Forecast £m</b>	<b>31.3.27 Forecast £m</b>	<b>31.3.28 Forecast £m</b>	<b>31.3.29 Forecast £m</b>
<b>Treasury Investments</b>	<b>55.4</b>	<b>72.2</b>	<b>41.8</b>	<b>23.2</b>	<b>24.3</b>

#### 3.2 Objectives

Both the CIPFA Code and the WG Guidance require the Corporate Joint Committee 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 CJC'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 Joint Committee 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. The CJC aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.

#### 3.3 Business models

Under the new IFRS 9 standard, the accounting for certain investments depends on the CJC's "business model" for managing them. The Joint Committee aims to achieve value from its internally managed 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.

### 3.4 Approved counterparties

The Corporate Joint Committee may invest its surplus funds with any of the counterparty in table 2 below subject to the cash limits (by counterparty) and the time limits shown.

**Table 2: Approved investment counterparties and limits**

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	50 years	Unlimited	n/a
Local authorities & other government entities	25 years	£5m	Unlimited
Secured investments *	25 years	£5m	Unlimited
Banks (unsecured) *	13 months	£3m	Unlimited
Building societies (unsecured) *	13 months	£3m	£6m
Registered providers (unsecured) *	5 years	£3m	£15m
Money market funds *	n/a	£5m	Unlimited

\*This table must be read in conjunction with the notes below.

### 3.5 Minimum Credit rating

Treasury investments in the sectors marked with a \* 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.

### 3.6 UK Government

Loans to, and bonds and bills issued or guaranteed by, 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. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

**3.7 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 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.

**3.8 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.

**3.9 Registered providers (unsecured)**

Loans to, and bonds issued or guaranteed by, registered providers of social housing and 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.

**3.10 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 Corporate Joint Committee will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

### 3.11 Operational bank accounts

The Corporate Joint Committee 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 £900,000 per bank. 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 CJC maintaining operational continuity.

### 3.12 Risk assessment and credit ratings

Credit ratings are monitored by the CJC. 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 “rating watch negative” or “credit watch negative”) 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 organisation 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.

### 3.13 Reputational aspects

The Corporate Joint Committee 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.

### 3.14 Other information on the security of investments

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 Corporate Joint Committee 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 CJC's cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall, but will protect the principal sum invested.

### 3.15 Investment limits

The maximum that will be lent to any one organisation (other than the UK Government) will be £5 million. A group of entities under the same ownership will be treated as a single organisation for limit purposes.

Credit risk exposures arising from non-treasury investments, financial derivatives and balances greater than £500,000 in operational bank accounts count against the relevant investment limits.

Limits are also placed on fund managers, investments in brokers' nominee accounts and foreign countries as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

**Table 3: Additional limits**

	<b>Cash limit</b>
Any group of pooled funds under the same management	£15m per manager
Negotiable instruments held in a broker's nominee account	£15m per broker
Foreign countries	£5m per country

### 3.16 Liquidity management

The Corporate Joint Committee uses prudent cash flow forecasting techniques to determine the maximum period for which funds may prudently be committed. The forecast is compiled on the basis that internal borrowing will be undertaken between schemes if required. The internal borrowing interest rate charged will be based on the foregone investment income. Limits on long-term investments are set by reference to the CJC's medium-term financial plan and cash flow forecast.

The CJC will spread its liquid cash over at least four providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.