

REPORT

SUBJECT:	2026/27 Capital Strategy and 2026/27 Treasury Management Strategy
DIRECTORATE:	Resources
MEETING:	Governance and Audit Committee
DATE:	26th February 2026
DIVISION/WARDS AFFECTED:	Countywide

1. PURPOSE

- 1.1. Full Council delegates responsibility for the monitoring and scrutiny of the borrowing consequences of capital investment to the Governance & Audit Committee. This includes the treasury management policy, strategy and practices.
- 1.2. The capital plans of the Authority are inherently linked with the treasury management activities it undertakes, and therefore the capital strategy is brought alongside the treasury management strategy report.
- 1.3. The purpose of this report is to collect the Committee's views and response to the Council's draft 2026/27 Capital and Treasury Management Strategies, including the Minimum Revenue Provision (MRP) policy.

2. RECOMMENDATIONS

- 2.1. That Governance & Audit Committee considers the draft Capital strategy for 2026/27 as found at **Appendix 1** and endorses for onward circulation and approval by full Council.
- 2.2. That Governance & Audit Committee considers the draft Treasury management strategy for 2026/27 as found at **Appendix 2** and endorses for onward circulation and approval by full Council. This includes the:
 - 2026/27 Minimum Revenue Provision Policy Statement, and;
 - 2026/27 Investment & Borrowing Strategies
- 2.3. That Governance & Audit Committee note the requirement to review the Council's treasury management activities on behalf of the Council by continuing to receive quarterly treasury management activity updates during 2026/27 as per the requirements of the updated CIPFA Treasury Code of Practice.

3. KEY ISSUES:

2026/27 Capital Strategy

Purpose of the report

- 3.1. The strategy provides a high-level framework setting out how the Council plans, prioritises and finances capital investment, and how the associated risks and long-term financial implications are managed.

Context

- 3.2. The Capital Strategy is produced in line with the CIPFA Prudential Code and is intrinsically linked to the Treasury Management Strategy and the Medium Term Financial Plan.
- 3.3. Decisions on capital investment and borrowing have financial consequences that extend over many decades and therefore require a clear, proportionate and prudent framework to support member decision-making.
- 3.4. The strategy has been intentionally written at a high level to support transparency and accessibility, focusing on principles, governance and affordability rather than detailed scheme-by-scheme analysis, which is considered and approved through medium term financial plans and through the annual budget process.

Key messages

- 3.5. The strategy highlights the challenging financial context within which capital investment is being planned. Demand for capital resources continues to exceed the level of funding that the Council can afford, requiring difficult prioritisation decisions and an increased reliance on external grant funding, asset rationalisation and partnership working.
- 3.6. The strategy confirms that:
- Capital investment remains constrained by ongoing revenue pressures and borrowing affordability limits.
 - The Council's capital programme and borrowing plans are prudent, affordable and sustainable within the parameters of the Medium Term Financial Plan.
 - Clear governance arrangements are in place to prioritise, monitor and scrutinise capital investment decisions.
 - There are increasing risks associated with the timing, uncertainty and conditions attached to capital grant funding, which reinforces the need for a clear strategic framework and disciplined programme management.
 - The Council continues to take a cautious and proportionate approach to borrowing, investments and commercial activity.

Assurance

- 3.7. The Section 151 Officer is satisfied that the Capital Strategy complies with the requirements of the Prudential Code and provides an appropriate framework for managing capital investment, borrowing and risk.
- 3.8. The strategy supports long-term financial sustainability while recognising the operational and financial challenges facing the Council over the medium to longer term.
- 3.9. The strategy will be kept under review and updated annually alongside the Treasury Management Strategy to ensure it remains aligned with the Council's financial position, priorities and risk appetite.

4. 2026/27 Treasury Management Strategy

Purpose of the report

- 4.1. The strategy sets out the Council's approach to managing borrowing, investments, cash flows and treasury-related risks, together with the proposed Minimum Revenue Provision (MRP) Policy Statement for the year.
- 4.2. The strategy is prepared in accordance with the CIPFA Code of Practice on Treasury Management and relevant Welsh Government guidance and is closely aligned with the Capital Strategy and Medium Term Financial Plan.

Context

- 4.3. Treasury management decisions play a critical role in supporting the delivery of the Council's capital programme and in safeguarding the Council's financial resilience. These decisions directly affect the cost of borrowing, the management of cash balances, and the exposure of public funds to financial and credit risks.
- 4.4. The strategy has been deliberately structured to focus on principles, risk management and governance, rather than operational detail, reflecting feedback from previous years and supporting effective member oversight of a highly technical area.

Key messages

- 4.5. The strategy reflects a challenging but stabilising economic environment, with easing inflation and expectations of gradual reductions in short-term interest rates, alongside continued volatility in longer-term borrowing costs. Against this backdrop, the strategy confirms that:
 - The Council continues to adopt a cautious and proportionate approach to treasury management, prioritising security and liquidity over yield.
 - Internal borrowing remains a core element of the strategy, helping to limit exposure to higher long-term borrowing costs while maintaining sufficient liquidity.
 - Borrowing decisions will continue to be closely aligned to the capital programme and will not be undertaken in advance of need other than where this is justified as part of prudent risk management.

- Investment activity is primarily focused on cash flow management, with strict counterparty limits and ongoing monitoring supported by independent treasury advisers.

Minimum Revenue Provision (MRP) Policy

- 4.6. A key element of this strategy is the proposed Minimum Revenue Provision (MRP) Policy Statement for 2026/27. MRP represents the mechanism through which the Council makes prudent provision for the repayment of capital debt over time.
- 4.7. The strategy recommends continuation of the Council's established approach to MRP, applying the annuity method for borrowing-funded capital expenditure so that financing costs are spread fairly over the useful life of assets. This approach supports long-term affordability, intergenerational equity and financial sustainability.
- 4.8. While Welsh Government has provided time-limited flexibility for 2026/27 in relation to MRP, the proposed strategy does not assume any departure from the Council's prudent MRP methodology. Any future use of such flexibility would require explicit approval by Full Council through a revised MRP Policy Statement.

Assurance

- 4.9. The Section 151 Officer is satisfied that the Treasury Management Strategy and MRP Policy Statement for 2026/27 are compliant with the CIPFA Code and Welsh Government guidance, and that they provide an appropriate framework for managing risk, affordability and long-term financial sustainability.
- 4.10. The strategy will be monitored throughout the year and reported to the Governance and Audit Committee in line with the Council's treasury management reporting arrangements.

5. CONSULTEES:

Deputy Chief Executive – Director for Resources (Section 151 Officer)

Cabinet Member for Resources

Arlingclose – Treasury Management Advisors to Monmouthshire CC

Governance & Audit Committee

6. APPENDICIES:

Appendix 1 – 2026/27 Capital strategy

Appendix 2 - 2026/27 Treasury Management Strategy including the Minimum Revenue Provision policy statement and Investment & Borrowing Strategies

7. AUTHORS:

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