

EAST HERTS COUNCIL REPORT

EXECUTIVE MEETING

DATE OF MEETING: TUESDAY 10 FEBRUARY 2026

REPORT BY: COUNCILLOR CARL BRITTAIN, EXECUTIVE MEMBER FOR FINANCIAL SUSTAINABILITY

REPORT TITLE: CAPITAL STRATEGY, MINIMUM REVENUE PROVISION STATEMENT AND TREASURY MANAGEMENT STRATEGY 2026/27

WARDS AFFECTED: ALL

Summary – The report contains the Capital Strategy, Minimum Revenue Provision (MRP) statement and Treasury Management Strategy for 2026/27 for recommendation to Full Council to approve following consultation with the Joint Scrutiny Committee.

RECOMMENDATIONS FOR EXECUTIVE:

- a) That Executive recommends to Council that it approves the Capital Strategy, Minimum Revenue Provision Statement and the Treasury Management Strategy 2026/27, including the Prudential Indicators contained within the reports.

1. Proposal

- 1.1. This report sets out the Executive's recommended Capital Strategy, Minimum Revenue Provision Statement, and Treasury Management Strategy for 2026/27. These documents were reviewed by Joint Scrutiny, which offered no comments for consideration, and are now presented for Executive to recommend to Council for formal approval.

2. Background and Reasons

Capital Strategy

- 2.1. The East Herts Council Capital Strategy (as detailed at Appendix A) provides an essential opportunity for engagement with Full Council to ensure that the overall approach to capital investment, risk appetite,

and governance arrangements is fully understood by all Members and stakeholders. It sets the framework within which decisions on capital expenditure are made.

- 2.2. The Strategy is a corporate document that both influences and is influenced by wider policy and decision-making. It ensures that capital investment aligns with the Council's priorities and statutory responsibilities.
- 2.3. The Strategy will be reviewed and updated annually to remain responsive to changing circumstances, including external pressures, financial constraints, and the implications of Local Government Reorganisation (LGR). This annual refresh is necessary to maintain compliance with statutory guidance and to provide transparency on the Council's capital position.
- 2.4. Given the Council's very limited financial resources, the Capital Strategy for 2026/27 to 2028/29 will focus exclusively on schemes that are health and safety critical or essential to maintaining core business continuity. There is no scope for discretionary or aspirational projects within this period.
- 2.5. The Council will continue to deliver and monitor its capital programme within the context of its Climate Change commitments, including the ambition to become carbon neutral by 2030. A carbon assessment will remain an integral part of the business case for any new proposals.
- 2.6. The capital programme reflects the Council's compliance with statutory guidance that debt should remain below the Capital Financing Requirement. While the Council is currently compliant, there is no capacity for additional borrowing beyond the levels already proposed.

Treasury Management Strategy

- 2.7. The Council is required to operate a balanced budget, meaning that cash raised during the year broadly meets cash expenditure.

Treasury management Strategy 2026/27 (as detailed at Appendix B) ensures that cash flow is planned effectively so that funds are available when needed. Surplus cash is invested only with low-risk counterparties and instruments, consistent with the Council's low risk appetite, prioritising security and liquidity before considering investment return.

- 2.8. A second core function of treasury management is funding the Council's capital plans. These plans guide the Council's borrowing requirements and support longer-term cash flow planning to meet capital spending obligations. This may involve arranging short- or long-term loans or utilising longer-term cash surpluses. Where prudent and cost-effective, existing debt may be restructured to manage risk or reduce cost.
- 2.9. Treasury management makes a critical contribution to the Council's financial resilience. Balancing debt and investment operations ensures liquidity for day-to-day revenue commitments and major capital projects. Interest costs on borrowing and investment income from cash deposits directly affect the budget. As cash balances largely derive from reserves, maintaining the security of invested sums is paramount, as any loss of principal would impact the General Fund.
- 2.10. This Strategy complies with the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities, ensuring that statutory requirements and best practice principles are met.
- 2.11. The Council's treasury activities are supported by its appointed independent advisors, Arlingclose Limited, who provide specialist guidance on borrowing, investment, and risk management.

Minimum Revenue Provision (MRP) Policy

- 2.12. Local authorities are required by statute to make a prudent provision for the repayment of borrowing undertaken to finance capital expenditure. This provision, known as the Minimum Revenue

Provision (MRP) (and detailed at Appendix C), ensures that the cost of capital investment is spread over the life of the asset and that borrowing is repaid in a sustainable manner.

- 2.13. The Council must approve an annual MRP Policy before the start of each financial year. This policy sets out the method by which the Council will calculate and charge MRP to its revenue account. Agreeing the policy provides transparency and assurance that the Council is complying with statutory requirements and the CIPFA Prudential Code, and that its approach remains prudent, affordable, and sustainable.
- 2.14. For 2026/27, the proposed policy continues to apply the principles adopted in previous years, ensuring that borrowing for capital purposes is repaid over an appropriate period, reflecting the useful life of the assets funded. This approach supports sound financial management and protects the Council's long-term financial resilience.

3. Options

- 3.1. The Executive may endorse the Capital Strategy, Minimum Revenue Provision Policy and Treasury Management Strategy as presented, agree amendments it considers necessary, or request further revisions. Whichever option is chosen; the Executive must ensure that final versions of these three documents are prepared for submission to Full Council for approval as part of the statutory budget-setting process.

4. Risks

- 4.1. Risks are set out in detail within the Capital Strategy, including the ongoing uncertainty around future funding and the Council's limited capacity for additional borrowing.
- 4.2. Compliance with tighter regulations on Minimum Revenue Provision (MRP) requires the Council to calculate its Capital Financing

Requirement accurately to ensure there is no underpayment of MRP and that borrowing remains affordable. Non-compliance with the Local Authorities (Capital Finance and Accounting) (England) Regulations 2024, as amended, would be unlawful.

- 4.3. Treasury risk management continues to operate 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 Code requires the Council to approve a Treasury Management Strategy before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

5. Implications / Consultations

- 5.1. The proposed report was presented to the Joint Scrutiny Committee on 28 January 2026, where it was reviewed and considered. The Committee endorsed the report with no changes.

Community Safety

Building and refurbishment schemes design out crime and safety issues and public realm works are required to ensure that the community feel safe.

Data Protection

All investment in IT systems is required to check where data is held and that systems comply with data protection legislation.

Equalities

All capital schemes meet the necessary legislation and are subject to access audits. Design also considers dementia friendly design elements particularly around colour.

Environmental Sustainability

The council has established a carbon assessment tool that it is beginning to apply to existing capital projects. In the future, a carbon assessment of proposed capital projects will be included within the

overall business case so as to inform decision-making. To date, individual schemes have sustainability features designed into them and may include, for example: meeting BREEAM ratings for buildings and refurbishments; flood resilience and sustainable underground drainage systems; opportunities for renewable energy generation; and carbon reduction such as replacement of the council's internal combustion engine vehicles with battery electric vehicles.

Financial

The strategy guides the capital programme and detailed financial implications are included with that in the budget report.

Health and Safety

All contractors are required to have compliant health and safety policies. Where a health and safety issue require capital expenditure it will be fast tracked to deal with the issue.

Human Resources

None

Human Rights

None

Legal

A Capital Strategy is required under the CIPFA Prudential Code, which the Council must follow in accordance with the Local Government Act 2003. The Act also requires local authorities to have regard to the CIPFA Treasury Management Code of Practice and to approve a Treasury Management Strategy before the start of each financial year.

In addition, the Council is legally obliged to make a Minimum Revenue Provision (MRP) for the repayment of borrowing undertaken to finance capital expenditure. This requirement is set out in the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended, and supported by statutory guidance issued by the Government. Failure to comply with these regulations would be unlawful.

The approval of an annual MRP Policy by Full Council ensures compliance with these statutory provisions and demonstrates that the Council's approach to debt repayment is prudent, affordable, and sustainable.

Specific Wards

None

6. Background papers, appendices and other relevant material

6.1. Appendix A – East Herts District Council Capital Strategy 2026/27

6.2. Appendix B – Treasury Management Strategy 2026/27

6.3. Appendix C – Minimum Revenue Statement 2026/27

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