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ANNUAL NON-TREASURY MANAGEMENT INVESTMENT STRATEGY 2026/27

NON-TREASURY MANAGEMENT INVESTMENT STRATEGY 2026/27

1. INTRODUCTION

1.1 The Authority invests its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments),
- to support local public services by lending to or buying shares in other organisations (service investments), and
- to earn investment income (known as commercial investments where this is the main purpose).

1.2 This investment strategy meets the requirements of statutory guidance issued by the government in January 2018 and focuses on the second and third of these categories.

1.3 The statutory guidance defines investments as “of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios”. The Authority interprets this to exclude (a) trade receivables that meet the accounting definition of financial assets but are not investments in the everyday sense of the word and (b) property held partially to generate a profit but primarily for the provision of local public services.

2. TREASURY MANAGEMENT INVESTMENTS

2.1 The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and as a Council Tax ‘billing authority’ it collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and



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Accountancy. The balance of treasury management investments is expected to fluctuate between £35m and £20.6m during the 2026/27 financial year.

- 2.2 Contribution:** The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.
- 2.3 Further details:** Full details of the Authority's policies and its plan for 2026/27 for Treasury Management investments are covered in the Treasury Management Strategy.

3. SERVICE INVESTMENTS: LOANS

- 3.1 Contribution:** The Council lends money to local charities, housing associations and local residents to support local public services, stimulate local economic growth and support Council priorities of providing socially rented housing and promoting carbon neutral development and infrastructure. Loans to residents will be in line with Council approved policies such as its Starter Homes Initiative. As at 31st December 2025 the Council holds a unsecured loan balance of £1.977m and has committed to convert this to a secured loan of £1.897m, repayable over a 50 year term, to a local Housing Association. This arrangement supports the Council's strategic priorities by enabling the delivery of socially rented housing and promoting carbon neutral development and infrastructure.
- 3.2 Security:** The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. To limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Authority, upper limits on the outstanding loans to each category of borrower have been set as follows:



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Table 1: Loans for service purposes in £

Category of borrower	31.3.2025 actual			2025/26
	Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Local charities	296,436	0	296,436	450,000
Housing associations	1,961,125	0	1,961,125	2,000,000
Loans to Ubico (£500,000) or Publica (£500,000)	0	0	0	1,000,000
Local residents (equity loans)	63,936	0	63,936	130,000
TOTAL	2,321,496	0	2,321,496	3,580,000

- 3.3** Accounting standards require the Authority to set aside loss allowance for loans, reflecting the likelihood of non-payment. The loans the Council has made are limited to specific service areas and the likelihood of non-payment is considered minimal. There is no history of non-payment and no evidence to suggest that there will be any default against loans granted. As a result, no allowance for loss has been included against the loan balances. Should any indication be given that there is a risk of default, then the risk will be assessed and a provision established at that time. Should a loan default, the Authority will make every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.



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- 3.4** In addition to the loans granted, the Council has included provision in its Treasury Management Strategy to loan up to £0.500m to both Ubico and Publica Group (Support) Limited, should either company require support. The Council is a shareholder in Ubico and a shared owner in Publica. In both cases, the loan facility is to enable the Council to provide a loan for short-term cash flow purposes. No loans are currently in place.
- 3.5 Risk assessment:** The Authority assesses the risk of loss before entering into and whilst holding service loans by undertaking credit checks and ensuring the appropriate legal documentation is in place to secure the Council's money.

4. SERVICE INVESTMENTS: SHARES

- 4.1 Contribution:** The Council has a £1 shareholding in Ubico Ltd. Ubico Ltd is an environmental services company which provides household and commercial refuse collection, recycling, street cleansing, grounds maintenance and fleet maintenance services to the Council. Ubico is wholly owned by eight local authorities and operates as a not-for-profit enterprise.
- 4.2 Security:** One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. The Council's investment is fixed at £1.

Table 2: Shares held for service purposes in £

Category of Company	31.3.2025 actual			2026/27
	Amounts invested	Gains or losses	Value in accounts	Approved Limit
Local Authority owned company	1	-	1	1
TOTAL	1	0	1	1

- 4.3 Risk assessment:** the Council has not invested in Ubico to generate a financial return. The Council has invested to support service delivery. Ubico is a cost-sharing company, any surplus generated within Ubico is returned to the partner Councils as shareholders.



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Similarly, any deficit as to be met by the Councils. Through regular budget monitoring and transparency around contract sums and performance and regulator communication, the risk of any financial loss is mitigated.

4.4 Liquidity: The Council has invested purely to facilitate service provision rather than a financial return. The Council has no intention to dispose of its investment in the foreseeable future.

4.5 Non-specified Investments: Shares are the only investment type that the Authority has identified that meets the definition of a non-specified investment in the government guidance. The limits above on share investments are therefore also the Authority's upper limits on non-specified investments. The Authority has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

5. COMMERCIAL INVESTMENTS: PROPERTY

5.1 Contribution: The Council invests in a number of commercial properties within the Cotswold District and three significant assets outside of the district. The properties acquired outside of the district were acquired with the intention of generating income to support the revenue budget and were funded from the Council's capital receipts and therefore did not require the Council to undertake any borrowing.



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Table 3: Property held for investment purposes in £

Property Type	01-Apr 2024	31.3.2025 actual		31.3.2026 expected	
	Value in accounts	Gains or (losses)	Value in accounts	Gains or (losses)	Value in accounts
Investment Property within Cotswold District	1,355,000	-290,000	1,065,000	0	1,065,000
Investment Property inside of Cotswold District:	1,410,000	10,000	1,420,000	0	1,420,000
27A Dyer Street					
Investment Property outside of Cotswold District: Superdrug, Worcester	510,000	-165,000	345,000	0	345,000
Investment Property outside of Cotswold District: Tesco, Seaford	1,100,000	-275,000	825,000	0	825,000
Investment Property outside of Cotswold District: West Bromwich (Warley)	500,000	50,000	550,000	0	550,000
TOTAL	4,875,000	-670,000	4,205,000	0	4,205,000

5.2 Security: A fair value assessment of the Council's investment property portfolio is undertaken each year as part of the final accounts process. Investment property is valued at market value. Property values fell during 2024/25 reflecting the valuer's assumption of the reductions in rental income expected in 2025/26 and potential void



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periods. The fair value of the Council's investment property portfolio is included in the Statement of Accounts; based upon 'market value'.

5.3 Table 3 shows fair value gains and losses in 2024/25 which are a direct result of the valuation undertaken as at 31st March 2025. The losses will not be recognised unless the Council decides to dispose of the properties owned. The Council maintains sufficient liquidity so that there is no requirement to sell any of the investment properties. Over time, it is expected that the market value of investment properties will vary. **Assets are considered sound with strong covenants and dependable income streams.**

5.4 The proportion of the Council's Investment Property portfolio which is outside of the District, is held primarily to generate a stable income stream to support the revenue budget.

5.5 Risk assessment: The Authority assesses the risk of loss before entering into and whilst holding property investments by purchasing property with secure tenants on long leases and through:

- assessment of relevant market sector(s) including the level of competition, barriers to entry/exit, future market prospects
- assessment of exposure to particular market segments to ensure adequate diversification
- use of external advisors if considered appropriate by the S151 Officer
- full and comprehensive report on any new investments to Cabinet/Council
- continual monitoring of risk across the whole portfolio and specific assets

5.6 Liquidity: Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed, the Authority sets out in its Treasury Management Strategy provision of liquid investments should the Council need cash.



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It is not anticipated that the Council would need to sell any Investment Property at short notice.

6. LOAN COMMITMENTS AND FINANCIAL GUARANTEES

- 6.1** Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Authority and are included here for completeness.
- 6.2** The Council is a shareholder of Ubico Ltd, owning one eighth of the company and is a joint partner in Publica Group (Support) Ltd, owning one quarter of the company. In both cases, should the company overspend, the Council be liable for its share of the additional costs. In both companies, sound financial management and budgetary control mitigate the risk that additional sums will be required without adequate notice.
- 6.3** In July 2022, Cotswold District Council entered into an agreement with Cottsway 2 Housing Association, to provide an unsecured development loan of up to £3.753m in increments upon drawdown requests. The first request was received in June 2023 and the balance outstanding as at the 31st December 2025 is £1.977m. During the final quarter of the 2025/26 financial year, the loan will be converted into a secured loan with a 50-year term. The interest rate applicable to the secured element of the loan, originally set at 3.25% as outlined in the Council report dated July 2022, was increased to a minimum rate of 4.00% following a formal variation to the agreement executed on 31 December 2025.

PROPORTIONALITY

- 6.4** The Authority is dependent on profit generating investment activity to achieve a balanced revenue budget. Table 4 below shows the extent to which the expenditure planned to meet the service delivery objectives and/or place making role of the Authority is dependent on achieving the expected net profit from investments over the lifecycle of the Medium-Term Financial Plan. Should it fail to achieve the expected net profit, the Council has earmarked reserves available to cover any immediate



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shortfall in income or will be required to generate savings elsewhere within the budget to continue to provide its services. The Council's Head of Strategic Housing, Property and Assets responsible for the Council's property and estates function would review the cause of any shortfall and identify any actions needed to ensure the income shortfall is mitigated or remedied.

- 6.5** With the introduction of the revised PWLB lending terms, the Council has no intention of purchasing investment assets primarily for yield. With no further expenditure planned on investment assets primarily for yield the proportion of investment to gross service expenditure will fluctuate as a result of changes in investment income from existing holdings and changes in gross service expenditure.

Table 4: Proportionality of Investments (£)

	2024/2025 Actual	2025/26 Forecast	2026/27 Budget	2027/28 Budget	2028/29 Budget
Treasury Investment income	-1,611,514	-1,484,000	-1,005,000	-700,000	-500,000
Loans income	-8,824	-151,680	-69,036	-67,715	-66,350
Share dividend	0	0	0	0	0
Investment Property income	-380,075	-332,203	-427,622	-436,174	-444,898
Investment income	-2,000,413	-1,967,883	-1,501,658	-1,203,890	-1,011,248
Gross service expenditure	32,436,810	29,688,148	37,950,725	36,536,004	36,267,416
Proportion	6.17%	6.63%	3.96%	3.30%	2.79%

7. BORROWING IN ADVANCE OF NEED



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- 7.1** Government guidance is that local authorities must not borrow more than or in advance of their needs purely to profit from the investment of the extra sums borrowed. The Council will need to borrow in future years to fund new capital expenditure. Any funds borrowed will be in relation to specific schemes and based upon the cash required for the chosen schemes.
- 7.2** The Council may, in supporting the delivery of the Council's Capital Programme, borrow in advance of need where it is expected to demonstrate the best longer-term value for money position. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that the value for money can be demonstrated (i.e., the cost of holding does not outweigh the benefits of early borrowing) and that the Council can ensure the security of such funds.
- 7.3** The Council is aware that it will be exposed to the risk of loss of the borrowed sums, and potential interest rate changes. These risks will be managed as part of the Council's overall management of its treasury risks and will be reported through the standard reporting method.

8. CAPACITY, SKILLS AND CULTURE

Elected members and statutory officers:

- 8.1** The Council recognises that those elected Members and statutory officers involved in the investment decision process must have appropriate capacity, skills and information to enable them to:
- make informed decisions as to whether to enter a specific investment;
 - to assess individual assessments in the context of the strategic objectives and risk profile of the Council; and
 - to enable them to understand how new decisions have changed the overall risk exposure of the Council.



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- 8.2** The Council employs professionally qualified and experienced staff in senior positions with responsibility for advising Council on capital expenditure, borrowing and investment decisions. For example, the Chief Finance Officer is a qualified accountant with over 25 years' experience of working in local government finance. The Council pays for junior staff to study toward relevant professional qualifications, including Chartered Institute of Public Finance and Accountancy (CIPFA) and Association of Accounting Technicians (AAT).
- 8.3** Where Council staff do not have the knowledge and skills required, external advisers and consultants are engaged that are specialists in their field. The Council employs Arlingclose Limited as treasury management advisers. The Council employs other specialist advisers to advise upon specific, extraordinary transactions as required. Examples of such transactions include property acquisitions, and loans to third parties. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite or while Council staff develop those skills.
- 8.4** The Council will also consider whether relevant Members of Cabinet have appropriate skills, providing training where there is a skills gap.
- 8.5** The Council has experience of investing in commercial property in recent years. Since July 2025, the property service has been delivered in-house, supported by a dedicated team of property officers. The team brings a strong mix of professional expertise and qualifications, including:
- BSc Hons Real Estate Management
 - BSc Hons Quantity Surveying
 - HND Building Studies
 - Member Royal Institute Chartered Surveyors
 - Royal Institute Chartered Surveyors Registered Valuer
 - P403 Surveying and Sampling Strategies for Asbestos in Buildings



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- Carbon Literacy Certified

8.6 The Council's legal team have experience of carrying out due diligence checks, particularly for commercial property acquisitions, and the legal officers have the following qualifications:

- Fellows of the Chartered Institute of Legal Executives (CiLEX);
- Paralegal;
- Solicitors;
- Non practicing Barrister.

8.7 The Property and Legal Teams work together with the Finance team to support the Council's Chief Finance Officer in developing investment proposals for the Council. External specialist advice is obtained when required to support these teams.

8.8 The Council has previously invested in a range of commercial properties which are delivering a sustainable revenue stream to the Council.

8.9 Commercial deals: The Council's Chief Finance Officer, Deputy Chief Finance Officer are all aware of the core principles of the Prudential Framework and of the regulatory regime within which local authorities operate.

8.10 Officers would work with a team of specialist officers to prepare business cases for any commercial deals for consideration by Members. It is the responsibility of the finance team to ensure that the implications of the Prudential Framework and the regulatory regime are considered as business cases are developed.

8.11 The Cabinet and Council also includes elected Members with a wealth of experience from business, banking and financial organisations. Members will use their knowledge, skills and experience to scrutinise business cases for proposed Council investments as set out below.



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Corporate governance:

- 8.12** The Council will need to consider the best approach for the consideration and scrutiny of business cases for future investment to consider their contribution to the delivery of Council Priorities and impact upon the overall risk to the Council prior to recommendation for approval of expenditure by Cabinet or Council. The Cabinet will take decisions or make recommendations to the full Council on new investments that are not part of Treasury Management activity.
- 8.13** Financial performance is reported quarterly to the Council's Overview and Scrutiny Committee and to Cabinet. This includes the financial performance of the Treasury Management function and any other revenue generating investments.
- 8.14** The Audit and Governance Committee consider the draft Capital, Investment and Treasury Management Strategies and provides its views to the Cabinet for consideration. Cabinet recommends the suite of strategies to the Council for approval. Treasury Management performance is reported quarterly to the Council's Overview and Scrutiny Committee, Audit and Governance Committee and to Full Council.
- 8.15** The Council's internal audit provider, South West Audit Partnership Ltd (SWAP) regularly audits the Council's treasury management activity and its processes and procedures for approving investment and performance management. SWAP reports to the Council's Audit and Governance Committee.

9. INVESTMENT INDICATORS

- 9.1** The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure because of its investment decisions.
- 9.2 Total risk exposure:** The first indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually



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committed to lend but have yet to be drawn down and guarantees the Authority has issued over third-party loans.

Table 5: Total investment exposure in £

Total investment exposure	31.03.2025 Actual	31.03.2026 Forecast	31.03.2027 Forecast
Treasury management investments	22,392,781	24,200,000	16,500,000
Service investments: Loans	2,321,496	2,277,490	2,254,190
Service investments: Shares	1	1	1
Commercial investments: Property	4,205,000	4,205,000	4,205,000
TOTAL INVESTMENTS	28,919,278	30,682,491	22,959,191
Commitments to lend	1,897,500	0	0
Guarantees issued on loans	0	0	0
TOTAL EXPOSURE	30,816,778	30,682,491	22,959,191

9.3 How investments are funded: Government guidance is that these indicators should include how investments are funded. No investments are currently funded by borrowing. All the Authority's investments are funded by usable reserves and income received in advance of expenditure.

9.4 Rate of return received: This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.



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Table 6: Investment rate of return (net of all costs)

Investments net rate of return	2024/25 Actual	2025/26 Forecast	2026/27 Forecast
Treasury management investments	4.67%	4.16%	3.76%
Charities Loans	3.46%	3.59%	3.60%
Housing Association Loans	0.00%	4.00%	4.00%
Local residents (equity loans)	0.00%	0.00%	0.00%
Service investments: Shares	0.00%	0.00%	0.00%
Commercial investments: Property*	6.07%	5.69%	7.90%

*Commercial Property returns are calculated based on returns compared to the current market valuation of the asset not the purchase price).