

Treasury Management Update

The Chartered Institute of Public Finance & Accountancy has published Treasury and Prudential Codes, which require quarterly reporting of performance against forward looking prudential indicators. The performance of the council's treasury management activity to the end of August 2025 (TBM 5), measured against benchmarks and the key indicators in the council's Treasury Management Strategy are set out below. The key indicators were approved by Budget Council at its meeting of 27 February 2025.

Investments

The average investment return between April 2025 and August 2025 was 4.37%, outperforming the benchmark rate by 14 basis points (or 0.14 percentage points), largely due to the time lag in Money Market Fund (MMF) rates adjusting to base rate changes (meaning the council has achieved elevated MMF rates in a falling rate environment).

Average Investment Balance (Apr – Aug) £m	Average Investment return	Average Benchmark Rate*	Difference
70.725	4.37%	4.23%	0.14%

* The Benchmark rate used is the Standard Overnight Index Average (SONIA); a rate administered by the Bank of England based on actual transactions of overnight borrowing by financial institutions.

** Pooled funds have been excluded from this assessment due to volatility of return.

As part of the investment strategy for 2025/26 the council agreed a maximum risk benchmark of 0.05% i.e. there is a 99.95% probability that the council will receive its investments back. The benchmark is a simple target that measures risk based on the financial standing of counterparties and length of each investment based on historic default rates. The actual risk indicator has varied between 0.002% and 0.001% between April 2025 and August 2025, reflecting the high proportion of investments held in high security and/or very liquid investments. It should be remembered however that the benchmark is an 'average risk of default' measure and does not constitute an expectation of loss for any particular investment.

Investment Risk benchmark	0.050%
Maximum investment risk experienced between April to August 2025	0.002%

Borrowing

The table below shows the Council's total external borrowing and average rates as at 31 August 2025, split between the General Fund and the HRA. New PWLB borrowing of £20.000m was undertaken in April 2025 at a rate of 4.17% for a term of two years to support the councils' HRA under borrowing position and to take advantage of a temporary reduction in borrowing rates. A total of £0.584m PWLB borrowing and £5.000 short-term borrowing matured during the period.

	General Fund Borrowing £m	HRA Borrowing £m	Total Borrowing £m	Average Rate
PWLB	143.927	255.961	399.888	3.02%
Market Loans	16.251	18.749	35.000	4.33%
Total Long-Term Borrowing	160.178	274.710	434.888	3.13%
Average Rate of LT Borrowing	3.00%	3.21%	3.13%	
Short-Term Borrowing	-	-	-	-
Average Rate of ST Borrowing	-	-	-	
Total Borrowing	160.178	274.710	434.888	

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The table below shows the forecast of the Capital Financing Requirement (CFR) for both the General Fund and the HRA at TBM 5 compared to the estimate within the 2025/26 strategy approved in February 2025.

The TBM 5 General Fund Capital Programme forecast includes projects funded by borrowing of £68.727m compared to an original estimate of £66.000m. The under-borrowing position, if no action is taken, is currently projected at £138.897m. The General Fund strategy currently forecasts that the level of reserves and balances in the medium term allows internal borrowing of up to £75m, and it is currently expected that additional external borrowing of £64.490m may be required to support the capital programme during 2025/26.

General Fund Capital Financing Requirement (CFR) – Underlying Borrowing requirement	Original Estimate 2025/26 £m	Revised forecast as at 31 Aug 2025 £m
Opening General Fund CFR	261.000	241.778
Borrowing Need	66.000	68.727
Minimum Revenue Provision	(12.000)	(11.430)
Closing General Fund CFR	315.000	299.075
GF External Long-Term Borrowing as at 31 August 2025	-	160.178
Level of Under-borrowing	-	138.897

The TBM 5 HRA Capital Programme forecast includes projects funded by borrowing of £63.045m compared to an original estimate of £64.000m. The under-borrowing position, if no action is taken, is currently projected at £89.597m. The HRA strategy is to fully borrow to meet its CFR and it is therefore expected that new external borrowing from the PWLB or the General Fund of £118.597m will be required to support the HRA capital programme during 2025/26.

HRA Capital Financing Requirement (CFR) – Underlying Borrowing requirement	Original Estimate 2025/26 £m	Revised forecast as at 31 Aug 2025 £m
Opening HRA CFR	292.000	301.262
Borrowing Need	64.000	63.045
Minimum Revenue Provision	-	-
Closing General; Fund CFR	356.000	364.307
HRA External Long-Term Borrowing as at 31 August 2025	-	274.710
Level of Under-borrowing	-	89.597

The table below shows that the Council is operating within the Operational Boundary and Authorised Borrowing Limits set within the Treasury Management strategy and has sufficient headroom to cover the borrowing need arising from the year's capital programme.

Borrowing Limits	Operational Boundary £m	Authorised Borrowing Limit £m
Limit set for 2025/26	745.000	795.000
Less: PFI & Leases	(65.000)	(65.000)
Limit for Underlying Borrowing	680.000	730.000
Actual External Borrowing at 31 Aug 2025	434.888	434.888
Headroom*	245.112	295.112

**Authorised Borrowing headroom cannot be less than zero*

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The maturity profile of the Authority's borrowing is within the limits set within the strategy.

Maturity Structure of borrowing	Lower Limit set	Upper Limit set	Actual as at 31 Aug 2025
Under 12 Months	0%	40%	15%
12 months to 2 years	0%	40%	6%
2 years to 5 years	0%	50%	2%
5 years to 10 years	0%	75%	5%
Over 10 years	40%	100%	72%

