

Treasury Management Update

The Chartered Institute of Public Finance & Accountancy (CIPFA) 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 December 2025 (TBM 9), 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.

Treasury Management Activity

Treasury management activity for the period has focused on keeping any surplus cash liquid, as opposed to investing into longer term, higher yielding deals. This is to ensure cash is available when required as reserve levels reduce and to avoid the need for long-term borrowing whilst rates remain elevated. Some medium term borrowing has been undertaken to reduce the HRA under borrowing position when there have been favourable movements in borrowing rates, and short term borrowing undertaken to manage temporary reductions in liquid cash. The last Treasury Management update was the 2025/26 Mid-Year report presented to Cabinet at its meeting of 11 December 2025. The key activities undertaken in the period since the Mid-Year report include:

- The return on investments has exceeded the target benchmark rates due to Money Market Fund (MMF) rates lagging behind the falling base rate.
- The highest investment risk indicator during the period was 0.002% which is below the maximum benchmark of 0.050%.
- Two new tranches of PWLB borrowing totalling £30.0m were undertaken in October 2025, with £15.0m undertaken for a term of 1 year, and £15.0m for a term of 2 years.
- Short term borrowing of £12.0m was undertaken at the end of December to fund temporary reductions in liquid cash.
- The two borrowing limits approved by full Council have not been exceeded.
- The Annual Investment Strategy parameters have been met throughout the period.

Investments

The average investment return between April 2025 and December 2025 outperformed the benchmark rate by 19 basis points (or 0.19 percentage points), largely due to the time lag in Money Market Fund (MMF) rates adjusting to base rate shifts (meaning the council has achieved elevated MMF rates in a falling rate environment).

Average Investment Balance (Apr – Dec)	Average Investment return	Average Benchmark Rate*	Difference
£64.1m	4.29%	4.10%	0.19%

* 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 December 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%
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Maximum investment risk experienced between April to December 2025	0.002%
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Borrowing

The table below shows the Council's total external borrowing and average rates as at 31 December 2025, split between the General Fund and the HRA. Two new tranches of PWLB borrowing totalling £30.0m was undertaken in October 2025 (£15.0m at a rate 3.96% for a term of 1 year; and £15.0m at a rate of 4.03% for a term of two years) to support the councils' HRA under borrowing position and to take advantage of favourable movement in borrowing rates. Three short-term loans totalling £12.0m were undertaken at the end of December from other Local Authorities to fund temporary reductions in liquid cash. A total of £0.6m PWLB borrowing and £15.0m short-term borrowing matured during the same period.

	General Fund Borrowing	HRA Borrowing	Total Borrowing	Average Rate
PWLB	£143.3m	£282.0m	£425.3m	3.10%
Market Loans	£16.3m	£18.7m	£35.0m	4.33%
Total Long-Term Borrowing	£159.6m	£300.7m	£460.3m	3.19%
Average Rate of LT Borrowing	3.04%	3.29%	3.19%	
Short-Term Borrowing	£12.0m	-	£12.0m	4.15%
Average Rate of ST Borrowing	4.15%	-	-	
Total Borrowing	£171.6m	£300.7m	£472.3m	

The tables below shows the forecast of the Capital Financing Requirement (CFR) for both the General Fund and the HRA at TBM 9 compared to the estimate within the 2025/26 strategy approved in February 2025.

The TBM 9 General Fund Capital Programme forecast includes projects funded by borrowing of £53.2m compared to an original estimate of £66.0m. The under-borrowing position, if no action is taken, is currently projected at £124.0m. The General Fund strategy currently forecasts that the level of reserves and balances in the medium term allows internal borrowing of up to £75.0m, and it is currently expected that additional external borrowing of £49.0m may be required to support the capital programme during 2025/26.

General Fund Capital Financing Requirement (CFR) – Underlying Borrowing requirement	Original Estimate 2025/26	Revised forecast as at TBM9
Opening General Fund CFR	£261.0m	£241.8m
Borrowing Need	£66.0m	£53.2m
Minimum Revenue Provision	(£12.0m)	(£11.4m)
Closing General Fund CFR	£315.0m	£283.6m
GF External Long-Term Borrowing as at 31 December 2025	-	£159.6m
Level of Under-borrowing	-	£124.0m

The TBM 9 HRA Capital Programme forecast includes projects funded by borrowing of £61.1m compared to an original estimate of £64.0m. The under-borrowing position, if no action is taken, is currently projected at £61.7m. 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 £61.7m will be required to support the HRA capital programme during 2025/26.

Appendix 8 – Treasury Update

HRA Capital Financing Requirement (CFR) – Underlying Borrowing requirement	Original Estimate 2025/26	Revised forecast as at TBM9
Opening HRA CFR	£292.0m	£301.3m
Borrowing Need	£64.0m	£61.1m
Minimum Revenue Provision	-	-
Closing HRA CFR	£356.0m	£362.4m
HRA External Long-Term Borrowing as at 31 December 2025	-	£300.7m
Level of Under-borrowing	-	£61.7m

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	Authorised Borrowing Limit
Limit set for 2025/26	£745.0m	£795.0m
Less: PFI & Leases	(£65.0m)	(£65.0m)
Limit for Underlying Borrowing	£680.0m	£730.0m
Actual External Borrowing at 31 Dec 2025	£472.3m	£472.3m
Headroom*	£207.7m	£257.7m

**Authorised Borrowing headroom cannot be less than zero*

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 TBM 9
Under 12 Months	0%	40%	20%
12 months to 2 years	0%	40%	8%
2 years to 5 years	0%	50%	2%
5 years to 10 years	0%	75%	6%
Over 10 years	40%	100%	64%

