Appendix 4 - Treasury Management Update

Treasury Management Activity	Borrowing	Movement	Investments	Movement
	£'000		£'000	
Opening Balances 1 April 2026	**(520,296)**		**47,302**	
Long-Term Borrowing raised (General Fund)	-	=	-	=
Long-Term Borrowing raised (HRA)	(35,000)	↑	-	=
Long-Term Borrowing repaid (General Fund)	2,322	↓	-	=
Long-Term Borrowing repaid (HRA)	37,678	↓	-	=
Short Term Borrowing raised	(10,000)	↑	-	=
Short Term Borrowing repaid	5,000	↓	-	=
Investments made	-	=	36	↑
Investments maturing	-	=	-	=
Net Money Market Transactions	-	=	(15,899)	↓
Closing Balances 31 May 2026	**(520,296)**	=	**31,440**	↓

Key Activities

Treasury Management activity during the period has focused on ensuring the authority has sufficient liquidity to fund day-to day expenditure through investing available cash in instant access Money Market Funds (MMFS); and undertaking borrowing when required to meet temporary liquidity need, refinance maturing debt and support the council's ongoing capital financing requirement. One new PWLB HRA loan of £35.000m was undertaken in the period at a rate of 4.69% for a term of 3 years to refinance maturing debt. In April, a market LOBO loan with Dexia of £5.000m that was subject to an interest rate review was repaid to avoid being exposed to a significant rate increase.

Investment Performance

The council's investment portfolio (adjusted for pooled funds) achieved an average rate of 3.87% in the period, outperforming against the SONIA benchmark rate of 3.73%. Iinvestment balances have been largely maintained in liquid MMFs, where returns usually follow at around Base Rate, reflected in the yield performance below.

Investment Performance	April to Sept 2025/26	Oct to March 2025/26	April - May 2026	DoT
Average Investment Rate	4.48%	4.15%	**3.87%**	↓
SONIA Benchmark Rate	4.19%	3.83%	**3.73%**	↓
Performance against benchmark rate	0.29%	0.32%	**0.14%**	
	✓	✓	✓	

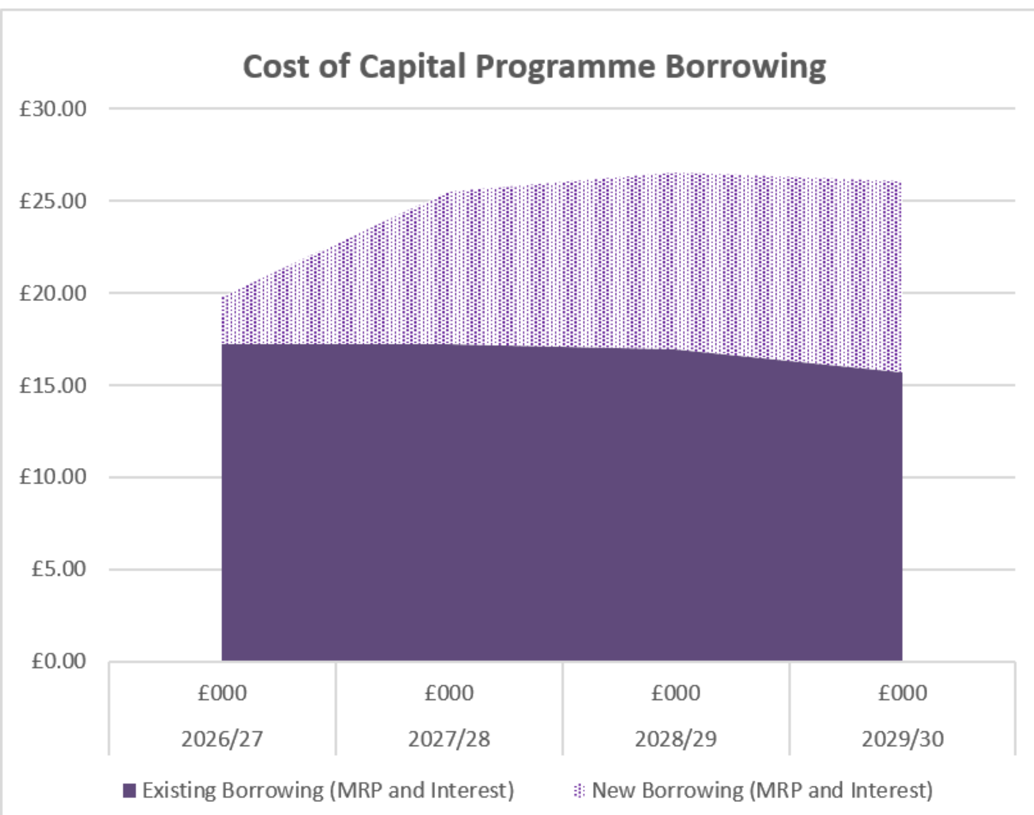
Borrowing Summary

Total borrowing at the end of the period was £520.296m held at an average rate of 3.28% as set out in the table below. The level of borrowing continues to be within the council's Capital Financing Requirement and limits set as part of its approved Treasury Management Strategy. The average rate of borrowing continues to be within budgeted rates for the current financial year.

Borrowing Summary as at 31 May 2026	General Fund £'000	HRA £'000	Total £'000	Average Rate %
PWLB	143,335	341,961	485,296	3.21%
Market Loans	13,930	16,070	30,000	4.33%
Short Term Borrowing	5,000	-	5,000	4.10%
Total Borrowing	**162,265**	**358,031**	**520,296**	**3.28%**

Risks & Mitigations

The council sets a number of indicators and limits within its approved Treasury Management Strategy to ensure any treasury management decisions are in accordance with the council's risk appetite. With interest rates on borrowing currently elevated and volatile, impacted by the war in Iran, there is a risk that new borrowing is undertaken at a higher rate than budgeted. Borrowing costs are being monitored closely with the council's treasury advisors to seek cost effective borrowing within a volatile market, with the option to undertake short term borrowing to manage more immediate liquidity need if required.



The lower portion of the graph shows the revenue cost (MRP and interest) of the current capital borrowing while the top half of the graph shows the revenue cost of planned capital expenditure that has not yet happened. It shows the impact on the revenue budget of an additional £10m per annum by the end of the MTFS taking the total to over £26m per annum, an increase of circa 60%