Agenda Item No: 8

Meeting of:	**Cabinet**
Date of Meeting:	**Thursday, 19 November 2026**
Relevant Scrutiny Committee:	Resources Scrutiny Committee
Item which the Chair has decided is urgent (Part I) **(If yes, why)**	Not applicable
Urgent Decision Procedure Used (15.14 of the Constitution) **(If yes, why)**	Not applicable
Item Type	Part I
Report Title:	Treasury Management Mid-Year Report 2026/27
Portfolio Holder:	Executive Leader and Cabinet Member for Performance and Resources
Strategic Leadership Team:	Head of Finance/Section 151 Officer
Lead Officer:	Head of Finance/Section 151 Officer

1.0 What is this report about?

1.1 This report sets out the Treasury Management position against a number of key Treasury and Prudential Indicators for the period 1st April to 30th September 2026 with updated prudential and treasury indicators set out at Appendix A including estimates for other long term liabilities as part of the IFRS16 leasing standard.

1.2 This mid-year monitoring report continues to incorporate leasing liabilities among the performance indicators, in compliance with IFRS 16.

1.3 This mid-year report has been prepared in compliance with CIPFA's code of Practice on Treasury Management and covers the following:

- An economic update for the first half of the 2026/27 financial year.
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy for 2026/27
- A review of the Council's capital expenditure and prudential indicators.
- A review of the Council's investment portfolio for 2026/27.
- A review of the Council's borrowing strategy for 2026/27.

- A review of any debt rescheduling undertaken during 2026/27 and
- A review of compliance with Treasury and Prudential Limits for 2026/27.

1.4 During the first six months of the financial year and in accordance with the Council's Treasury Management Strategy, investment balances have continued to be kept to a minimum through the agreed strategy of using reserves and balances to support internal borrowing. The use of reserves and balances to support internal borrowing in previous years has been considered a prudent strategy given the high external borrowing rates available from the markets. However, the Council reserves and balances are now virtually depleted, and it will need to finance the majority of its capital requirements through external borrowing.

1.5 Market interest rates have remained elevated during the period, with persistent inflationary pressures and a shift in the Monetary Policy Committee's (MPC) voting pattern towards higher interest rates increasing the prospect of a rate rise. Given the current cost of long term borrowing, the Council has continued to take a short term borrowing approach to avoid locking into higher rates. This provides flexibility to review borrowing decisions as market conditions change.

1.6 The Section 151 Officer advises that all treasury management activity undertaken during the first six months of 2026/27 complied with the approved strategy, the CIPFA Code of Practice, and the relevant legislative requirements. The 2025/26 actual figures are based on the Council's Treasury Management balances within the unaudited statement of accounts. These figures remain subject to audit by Audit Wales and may be amended following completion of the audit.

2.0 What are the Recommendations?

	Recommendation – What and How?	Reason for Recommendation – Why?
2.1	That the report be forwarded to the next Governance and Audit Committee for consideration and discussion, with any recommendations referred back to Cabinet for consideration.	To present this report to the Governance and Audit Committee in accordance with the remit of the Committee.
2.2	That, should there be no recommendations from the Governance and Audit Committee, Cabinet accepts the Treasury Management mid-year report for the period 1st April to 30th September and refers the same to Full Council on 11th January 2027 for consideration.	To present the Treasury Management mid-year report as required by the CIPFA Treasury Management in the Public Services: Code of Practice. To present an update of the Treasury Management indicators which are included in the Treasury Management Strategy.

3.0 What is the background to this report?

3.1 This Mid-Year Treasury Management Monitoring Report covers the latest position in respect of the Council's Prudential and Treasury Management indicators for 2026/27 covering the period 1st April to 30th September 2026.

3.2 CIPFA published revised versions of the Prudential Code for Capital Finance in Local Authorities (2021 Edition) and the Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (2021 Edition) on 20th December 2021. Formal adoption of the revised Code of Practice was required for the financial year beginning 2023/24. The Council must have regard to these codes of practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and any other related reports during the financial year. The Codes require the Council to provide a high level overview of how capital expenditure, capital financing and treasury management activities contribute to the provision of services, together with an overview of how the associated risks are managed and the implications for the Council's future financial sustainability.

3.3 For the purposes of this report the revised Treasury Management Code requires an Authority to prepare quarterly reporting to Members of the Treasury and Prudential Indicators. The Head of Finance/Section 151 Officer is required to establish procedures to monitor and report performance against all forward looking prudential indicators at least quarterly. The Head of Finance is expected to establish a measurement and reporting process that highlights significant actual or forecast deviations from the approved indicators.

3.4 The summary of the reporting requirements for Prudential and Treasury Indicators, as per the 2021 CIPFA Prudential Code for Capital Finance in Local Authorities and 2021 CIPFA Treasury Management in the Public Services Code of Practice and Cross-sectoral Guidance Notes are set out at Appendix A.

3.5 The indicators are required to help Members understand and evaluate the prudence and affordability of the Authority's capital expenditure plans and the borrowing and investment activities undertaken in support of this.

3.6 The Council's annual Treasury Management and Investment Strategy for 2026/27 was written in February 2026 and reported to and approved by Council on 9th March 2026. The Authority has borrowed and invested substantial sums of money. The successful identification, monitoring and control of risk remains central to the Authority's Treasury Management Strategy.

3.7 The final Capital Strategy 2025/26 and Final Capital Programme Proposals 2026/27 to 2030/31 were taken to Council on 9th March 2026. The initial capital programme proposals 2027/28 to 2031/32 will be taken to Cabinet in January 2027.The final capital programme proposals and the Capital Strategy 2027/28 will be taken to Cabinet in February 2027 and on to Council for full approval in early March 2027.

3.8 The progress and revisions to the Capital Programme are reported as part of the regular capital monitoring reports to Cabinet and the most recent Capital Monitoring for Quarter 2 is included on the agenda for Cabinet for 19th November 2026 alongside this report.

3.9 The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in risk adverse

counterparties, providing adequate liquidity initially before considering optimising investment return.

3.10 The second main function of the Treasury Management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer-term cash may involve arranging long or short-term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

3.11 With the UK economy experiencing a stable interest rate environment during the first six months of the financial year, investment returns have remained stable, supporting investment income within the revenue budget. While the Monetary Policy Committee (MPC) is expected to maintain interest rates in the short term, future changes will continue to be monitored as they may affect investment income later in the financial year. A full breakdown of these investments is detailed later in this report.

3.12 Funds available for investment continued to be placed with the Debt Management Office (DMO), other Local Authorities, Money Market Funds (MMFS,) and the Lloyds Instant Access Deposit Account. No funds were invested in UK treasury Bills during the period under review as the rates of return offered were poor in relation to the other investment opportunities available to the Council.

3.13 The Section 151 Officer continued to adopt a cautious approach with respect to treasury management investment operations. The Council's primary objectives for the management of its investments are to give priority to the security and liquidity of its funds before seeking the best rate of return.

3.14 The Council's primary objective for the management of its debt is to ensure its long term affordability. Most of its loans have therefore been borrowed from the Public Works Loan Board at long term fixed rates of interest. This approach provides certainty over borrowing costs and supports the Council's budget setting process.

External Context

Economic Background

3.15 The conflict in the Middle East remained a key issue, particularly its impact on global energy prices and inflation. On the UK politics side, Andy Burham became the new Prime Minister. Although energy prices had shown signs of moderating towards the end of quarter two, the continuing conflict pushed oil and gas up sharply once again in quarter three. Around mid-September, Brent oil and UK gas prices were over 30% and 70% higher respectively compared to the period preceding the Bank of England's (BoE) July 2026 Monetary Policy Report (MPR).

3.16 Given the inflationary impact of the previous energy shock from the Russia/Ukraine war, central bank policymakers remained alert to higher energy prices feeding into wider price

and wage-setting behaviour ('second-round effects'). In the UK, higher fuel and energy prices were evident in headline inflation, but there was limited evidence of material second-round effects. At the same time, underlying wage pressures continued to ease, while the labour market remained relatively slack.

3.17 The BoE's Monetary Policy Committee (MPC) maintained Bank Rate at 3.75% throughout the period. In April, the MPC voted by 8-1 to leave rates unchanged, with one member wanting a 0.25% increase. The voting subsequently became more hawkish, moving to 7-2 in June and 6-3 in both July and September, with all dissenters preferring to increase the Bank Rate to 4.00%. The change in voting patterns reflected increasing policymaker concern over the persistence of the energy shock and the risk that higher headline inflation could become embedded in domestic prices and wages.

3.18 At the September MPC meeting, the Committee judged the inflation risks were further to the upside compared to its July MPR. Energy prices had risen again and borrowing costs were materially higher than before the US/Iran conflict. Although inflation was expected to rise further in the near-term, most members considered that a weaker labour market, spare capacity in the economy and restrictive monetary conditions would reduce inflation over time. Furthermore, the data showed little evidence of material second-round effects, although the MPC warned that the risk of these effects would increase the longer energy prices remained elevated and volatile.

3.19 UK headline consumer price inflation (CPI) initially declined, suggesting the initial energy shock was not spreading into a wider range of goods and services. However, later in the period inflation picked up again, with CPI rising from 2.6% in June to 3.1% in August due largely to higher transport costs. Core CPI was 2.6% in July and August, suggesting the divergence between that and headline inflation was due to energy rather than a broad increase in underlying inflation.

3.20 UK economic activity was somewhat stronger than initially anticipated over the period. GDP expanded by 0.6% in the first quarter of the calendar year and 0.5% in the second quarter, slightly stronger than the initial estimate of 0.4%. Monthly activity was more volatile, with a contraction of -0.1% in April, followed by gains of 0%, 0.3% and 0.4% in May, June and July, respectively.

3.21 Labour market data continued to show softening employment conditions. The unemployment rate fell to 4.9% in April and remained at that level to July, contrary to expectations that it would rise slightly. Job vacancies also continued to decline, to 702,000 in the three months to July. Earnings growth moderated, with regular earnings at 3.5% in the three months to July and total earnings at 3.9%, suggesting weaker labour demand was continuing to restrain domestic wage pressures.

3.22 Arlingclose, the Authority's treasury adviser, expects the Bank Rate will remain at 3.75%. However, higher energy prices due to the ongoing conflict(s) and uncertainty around the Government's upcoming Budget have increased the near-term upside risks. Moreover, stronger inflation projections, which accompanied the September MPC decision, shifted market expectations for a higher Bank Rate. In addition, despite little evidence of second-

round effects to date, the changing tone of the MPC minutes suggests it may not need something seismic to tip the Committee to increase the Bank Rate.

3.23 The US Federal Reserve held the Federal Funds target range at 3.50% to 3.75% through to July. However, inflation pressures rose during the summer, pushing headline CPI to 3.4% in August, with higher petrol prices accounting for much of the increase. This led the Federal Reserve to raise its target range to 3.75% to 4.00% in September. The move reflected increased concern over inflation at a time when US economic activity and labour-market conditions were relatively resilient.

3.24 Following a 0.25% increase in June, the European Central Bank (ECB) raised its three key policy rates by a further 0.25% in September, taking the deposit facility rate to 2.50%. Inflation increased from 2.9% in July to 3.2% in August, and an initial estimate suggested a further rise to 3.8% in September, with energy prices the principal driver. The ECB highlighted the uncertainty surrounding the duration of the energy shock and the risk that persistently higher inflation could feed through into wider price-setting.

Financial Markets

3.25 After the sharp deterioration early in the period, financial market sentiment improved somewhat as there were ongoing hopes that the US/Iran war would be resolved. However, towards the end of the period, signs of any potential resolution appeared premature. Oil prices rose alongside inflation and bond yields while equity market volatility increased as investors assessed the risks associated with both the conflict and concerns surrounding Artificial Intelligence (AI).

3.26 Bond yields in both the US and UK increased markedly over the period, with the gap between gilts and US Treasuries tightening towards the end of the period. While term premia are still embedded in gilt yields given the relatively uncertain fiscal outlook, a more hawkish Federal Reserve alongside persistent US inflation and fiscal concerns have pushed the yields on US Treasuries to their highest levels in years.

3.27 Some relatively market friendly announcements were made by Andy Burham in his speech at the Labour Party conference, but it will be the Budget at the end of October that will hopefully provide some clarity on what the UK's fiscal position might look like going forward.

3.28 Over the period, the 10-year UK benchmark gilt yield started at 4.86% and ended at a high of 5.43%. The 20-year gilt yield starting at 5.45% and finished at 5.93%, another high for the period. The Sterling Overnight Rate (SONIA) averaged 3.73% over the period to 30th September.

Credit Review

3.29 Arlingclose maintained its advised recommended maximum unsecured duration limit on the majority of the banks on its counterparty list at 6 months. The other banks remain on 100 days.

3.30 During the period, Fitch upgraded numerous banks due to a rating methodology change, as well as the reference obligations used for Issuer Default Ratings and introduced greater differentiation between deposits, senior preferred, senior unsecured and senior non-preferred debt ratings.

3.31 Later in the period, Moody's changed the outlook on HSBC to Positive from Stable, while also affirming its long-term deposit rating. This follows a similar action from S&P Global Ratings on HSBC's outlook a few months prior to this.

3.32 After spiking in April following escalation in the Iran war, credit default swap (CDS) prices on UK banks declined during most of the period but started to pick up again in September. They ended the period well below levels that may give cause for concern but remain under constant monitoring.

3.33 European banks' CDS prices followed a similar pattern to the UK, while Canadian bank CDS prices rose early in the period and then remained at similar levels, while Australian and Singaporean banks tended to trend downwards.

3.34 Overall, at the end of the period CDS prices for all banks on Arlingclose's counterparty list remained within limits deemed satisfactory for maintaining credit advice at current durations.

3.35 Financial market volatility is expected to persist, at least in the near term. Credit default swap levels will continue to be monitored for signs of ongoing credit stress. The institutions and investment durations included on the Authority's counterparty list, as recommended by Arlingclose will also remain under constant review.

Local Context

3.36 On 31st March 2026, the Authority had net borrowing of £144.771M arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31/3/26	**31/3/27**
	Actual	**Forecast**
	£m	**£m**
General Fund CFR	124.109	129.528
HRA CFR	89.525	95.175
Total CFR	213.634	224.703
Less: *Other debt liabilities	(3.506)	(2.703)
Borrowing CFR	210.128	222.000
External borrowing**	**(181.871)**	**(204.026)**
Internal borrowing	28.257	17.974
Less: Balance sheet resources	**(67.000)**	**(34.000)**
Amount Available for Investments	**38.743**	**16.026**

3.37 The treasury management position on 30th September 2026 and the movement over the six months is shown in Table 2 below.

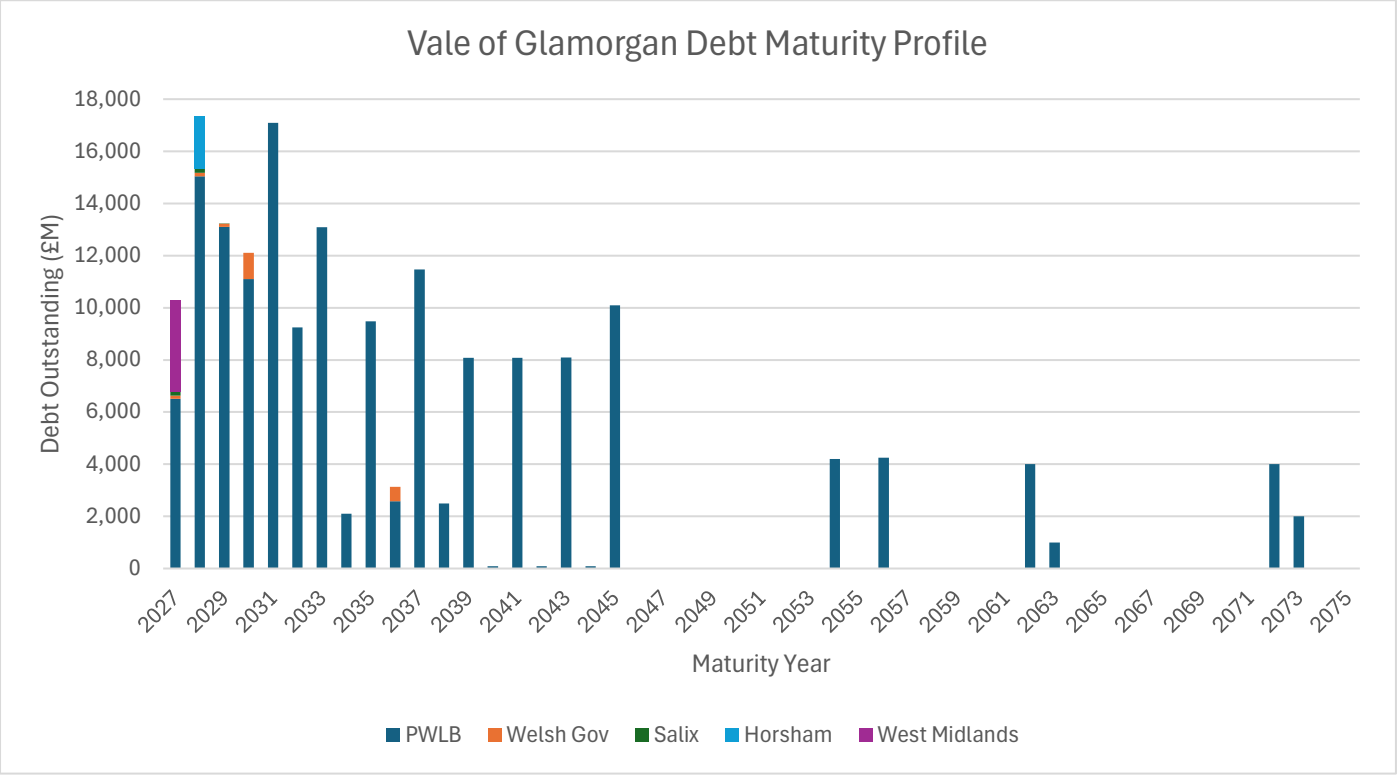
Table 2: Treasury Management Summary

	31.3.26 Balance	Movement	30.9.26 Balance	30.9.26 Rate
	£m	£m	£m	%
Long-term borrowing				
PWLB	(173.935)	6.530	(167.405)	4.37
Other	(7.936)	0.169	(7.767)	3.52
Total borrowing	**(181.871)**	**6.699**	**(175.172)**	4.34
Long-term Investments	0.000	0.000	0.000	0.00
Short-term investments	34.350	6.850	41.200	4.10
Cash and cash equivalents	2.750	(1.750)	1.000	3.51
Total investments	**37.100**	**5.100**	**42.200**	4.09
Net (borrowing)	**(144.771)**	**11.799**	**(132.972)**	

Borrowing Strategy and Activity

3.38 As outlined in the Treasury Strategy, the Authority's chief objective when borrowing has been to strike an appropriate risk balance between securing lower interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective. The Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer term stability of the debt portfolio. The following table confirms the Council's debt maturity position as at 30th September 2026.

Chart 1 – Debt Maturity Profile



3.39 The majority of the Authority's external borrowing is made up of Public Works Loan Board (PWLB) fixed rate debt. Debt is heavily concentrated in the short to medium term with peaks reaching around £17M. After 2044, debt repayments begin to fall, with smaller maturities every few years through to 2072.

3.40 Gilt yields have been volatile, reflecting expectations of tighter monetary policy compared to previous expectations due to the US/Iran war. Long-term gilt yields are very high, with investors lacking confidence in UK fiscal plans.

3.41 The PWLB certainty rate for 10-year maturity loans was 5.62% at the beginning of the period and 6.17% at the end. Rates for 20-year maturity loans moved from 6.13% to 6.61% during the period, and 50-year maturity loans from 6.01% to 6.37%. The cost of short-term borrowing from other Local Authorities remained above Bank Rate throughout the period, ranging from 3.8% to 5.5%, with rates increasing over the course of the period. This is primarily due to many Local Authorities avoiding more expensive long term rates and relying more heavily on the short term market. Low cash levels and the non-receipt of SEND grants are also likely to have contributed to a high borrowing demand.

3.42 CIPFA's 2021 Prudential Code is clear that Local Authorities must not borrow to invest primarily for financial return and that it is not prudent for Local Authorities to make any investment or spending decision that will increase the capital financing requirement and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority. PWLB loans are no longer available to Local Authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes. The Authority has no new plans to borrow to invest primarily for financial return.

3.43 The PWLB HRA rate which is 40 basis points below the certainty rate is available up to March 2027. This discounted rate is to support Local Authorities borrowing for the Housing Revenue Account and for refinancing existing HRA loans.

3.44 The Council's current estimated revised CFR for 2026/27 is £222M (excluding leasing CFR). The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing).

3.45 As at 30th September 2026 the Authority held £175.172m in loans, representing a decrease of £6.699m since 31st March 2026. These loans form part of the strategy for funding previous and current years' capital programmes. Outstanding loans on 30th September 2026 are summarised in Table 3 below:

Table 3: Borrowing Position

Loan Type	Opening Balance 31/03/2026	Received	Repaid	Closing Balance 30/09/2026	Weighted Average Rate
	£m	£m	£m	£m	%
PWLB	173.935	0.000	(6.530)	167.405	4.37
Local Authority Loan	5.500	0.000	(0.000)	5.500	4.43
Salix Loans	0.511	0.000	(0.169)	0.342	0.00

WG Loans	1.925	0.000	(0.000)	1.925	1.54
Total	**181.871**	**0.000**	**(6.699)**	**175.172**	

3.46 Investment balances have continued to be kept to a minimum through the agreed strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets, particularly during periods of elevated borrowing rates. However, available balances and reserves are now practically exhausted, and the Council continues to borrow externally from the Public Works Loan Board (PWLB) and other Local Authorities.

3.47 As at 31st March 2026, the Authority internally borrowed £28.257M to finance the capital programme. This position will be kept under review by the Section 151 Officer with advice sought from Arlingclose as required. The Council needs to keep this approach under review in the context of borrowing and use of reserves to ensure internal borrowing does not exceed a prudent proportion of reserves and core cash is maintained for operational purposes.

3.48 Interest charged on internal borrowing that is not supported by a revenue stream is calculated using the 3 month Sterling Overnight Interest Average rate (SONIA). The average rate calculated to 30th September 2026 is 3.99%.

3.49 The Authority continues to utilise internal borrowing where possible to minimise borrowing costs, as external borrowing remains more expensive. The estimated total interest to be charged to revenue for internal borrowing for pooled loans in 2026/27 is estimated to be £0.922M.

3.50 When pooling the interest charges for external and internal borrowing, the average rate charged to the Council to deliver the capital programme is estimated to be 4.50%.

3.51 In addition, the Council has previously internally borrowed for the Local Government Borrowing Initiative (LGBI) for 21st Century Schools, Affordable Housing and Highways initiatives. The interest to be charged for this element of the internal borrowing for 2026/27 is £0.429M.

3.52 In line with the Authority's existing borrowing strategy the revised estimate for new loans required to support the capital programme for 2026/27 is £18.156M which is both supported and prudential borrowing.

3.53 Maturing PWLB debt repaid during the first 6 months of 2026/27 totalled £6.530M at an average rate of 4.37%.

3.54 Two loans are included for Salix with balances totalling £0.342M which have been borrowed, interest free, for energy management schemes, primarily street lighting. The Authority made principal repayments of £0.169M on these loans over the last 6 months.

3.55 Welsh Government (WG) is made up of three loans. The first is a concessionary loan for £375k which was originally advance interest free but is now subject to an interest rate of

2.15%. The second is a Town Centre loan of £550k, advanced interest free, and the third is a new Transforming Towns loan of £1M subject to an interest rate of £2.15%.

3.56 Due to current high borrowing costs, the Council has adjusted its borrowing strategy to consider a wider range of borrowing maturities. This includes longer term fixed rate borrowing, extending from a previous period of 7 years up to 12 years, while also considering shorter term borrowing of between 1 and 4 years where this provides better value. This approach balances the benefits of securing longer term rates and reducing refinancing risk with the potential advantages of shorter term borrowing where market conditions are favourable.

3.57 Borrowing rates remain elevated, reflecting ongoing economic uncertainty and geopolitical tensions. While market expectations continue to anticipate a gradual easing in interest rates over the medium term, the outlook remains uncertain. Continued instability in the Middle East, including the conflict involving Iran, has increased the risk of rates remaining higher for longer or experiencing further upward pressure. The spread of PWLB rates can be found at Appendix B.

3.58 The Council's primary objective for the management of its debt is to ensure its long-term affordability. It has been the Council's policy to borrow from the Public Works Loan Board at long term fixed rates of interest. Borrowing long term with fixed interest rates provides certainty to the budget setting process. This policy will be resumed as soon as PWLB rates fall from their current inflated levels.

3.59 No external borrowing was undertaken during the first six months of 2026/27. Borrowing is to be undertaken during the third quarter to finance approved capital expenditure. Eligible PWLB loans are expected to benefit from a 20 basis point deduction for GF borrowing and a 60 basis point deduction for HRA borrowing.

Debt Rescheduling

3.60 Although rates have been higher, no suitable opportunities have been identified so far. No debt rescheduling has therefore been undertaken to date in the current financial year. However, now that the whole of the yield curve has shifted higher there may be better opportunities in the future, although only prudent and affordable debt rescheduling will be considered.

3.61 The Head of Finance/Section 151 Officer will liaise with the Council's treasury management advisors concerning any opportunities that may arise.

Other Debt Activity

3.62 In accordance with IFRS 16, the opening lease liability as at 1 April 2026 was £3.506M. During the year, lease additions and remeasurements of £0.616M are anticipated. After accounting for lease repayments of £1.048M and lease disposals of £0.371M, the projected closing lease liability is £2.703M as at 31st March 2027.

Treasury Management Investment Activity

3.63 The CIPFA Treasury Management Code now defines treasury management investments as those investments which arise from the Authority's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

3.64 The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the half year, the Authority's investment balances ranged between £37.100M and £42.200M due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Management Position Investment Counterparty	31/03/26 Balance	Invested	Returned	30/09/26 Balance	30/09/26 Income Return	30/09/26 Weighted Average Maturity
	£m	£m	£m	£m	%	Days
UK Local Authorities	16.500	24.000	(14.500)	26.000	4.42	215.0
Debt Management Office	0.000	374.200	(374.200)	0.000	3.72	0.0
Federated Hermes Money Market Funds (MMF)	7.850	6.150	(8.800)	5.200	3.89	n/a
CCLA Money Market Funds (MMF)	10.000	0.000	0.000	10.000	3.82	n/a
Lloyds Deposit Account	2.750	7.595	(9.345)	1.000	3.51	n/a
Total	**37.100**	**411.945**	**(406.845)**	**42.200**		

3.65 Both the CIPFA Code and Government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

3.66 The average monthly yields on these investments are set out at Appendix A (Table 17).

3.67 All investment activity during the half year of 2026/27 conformed to the approved Treasury Management Strategy. The Council did not experience any liquidity difficulties during the period, and liquidity remained strong. The strengthening of liquidity during the period was partly attributable to timing differences in cash flows and the receipt of grant funding

3.68 The Council manages its investments in house and can invest with those institutions which meet the minimum credit rating criteria and are included on the approved lending list as laid out in the investment strategy. The Council currently invests short term for a range of periods from overnight to 364 days, dependent on its cash flows, its interest rate view, and

the interest rates/periods on offer. A laddering approach to investments continued to be used during the first six months of 2026/27.

3.69 The Bank Rate remained unchanged at 3.75% throughout the first half of 2026/27. However, the economic outlook became more uncertain during the second quarter, particularly due to rising energy prices and concerns with inflation. At the September 2026 meeting, the MPC voted to maintain the Bank Rate at 3.75%, although three members favoured an increase. The outlook remains uncertain, with future decisions dependent on inflation. Interest rate forecasts for 2026/27 can be found at Appendix B.

3.70 The Authority has budgeted £0.750M income from these investments in 2026/27. As of 30 September 2026, investment income of £1.535M had been received or accrued, at an average rate of 4.10%.

3.71 The rates on the Debt Management Account Deposit Facility (DMADF) deposits ranged between 3.70% and 3.74% and money market rates between 3.76% and 3.92%.

3.72 Financial markets experienced significant volatility over the six months to 30th September 2026, although performance varied considerably between asset classes. Equity markets generally performed well, recovering strongly from the falls seen in March and remaining resilient despite renewed geopolitical uncertainty and higher interest rates. UK equities recorded gains over the period, while global equities were also supported by generally resilient corporate earnings and continued strength in technology-related stocks.

3.73 Bond markets were considerably weaker, particularly towards the end of the period. Government bond yields rose as higher energy prices and rising inflation increased expectations that interest rates would remain higher for longer. Longer-dated yields were also affected by concerns over elevated government borrowing and bond issuance, with investors demanding greater compensation for holding longer-term debt. These pressures were not confined to the UK, with government bond yields rising across most major developed economies. This rise placed downward pressure on the capital values of funds with exposure to bonds.

3.74 Investment returns remained strong during the first half of 2026/27, with no change in the Bank Rate during the period. Returns are expected to remain stable in the short term, subject to future changes in interest rates.

3.75 Funds available for investment continued to be placed with the Debt Management Office (DMO), other Local Authorities, Money Market Funds (MMFS) and the Lloyds Instant Access Deposit Account. No investments were placed with and Treasury Bills as the other investment tools available offered more favourable rates of return and low risk.

3.76 Money Market Funds (MMFs) are still the most beneficial investment tool as not only do they permit instant access to the funds invested, the rates of return are also calculated daily and move simultaneously with the upward movement in interest rates. Since rates have been cut some money market fund rates have remained competitive and are currently achieving a yield more than Bank Rate.

3.77 Deposits placed with Local Authorities and the DMO were for periods between overnight and 364 days.

3.78 The Authority does not currently invest in any individual country outside the UK and it is intended that this approach will continue in 2026/27. The total investment in individual UK institutions that are part of the same UK owned group will not exceed the limit set out in the table below.

3.79 Deposits placed with Money Market Funds and the Lloyds Accounts had instant access and were drawn down when needed to meet the Council's financial commitments.

3.80 The Section 151 Officer will continue to keep the borrowing and investment strategies under review.

3.81 The Section 151 Officer reports that all treasury management activity undertaken during the financial year complied with the approved strategy, the CIPFA Code of Practice, and the relevant legislative provisions. Compliance with specific investment limits is demonstrated in table 6 below.

Table 6: Investment Limits

	2026/27 Maximum	**30.9.26 Actual**	**2026/27 Limit**	**Complied Yes/No**
UK Government – Treasury Bills and DMADF	Unlimited	£0	Unlimited	Yes
UK Local Authorities	£5M per LA	£5M	£5M per LA	Yes
UK Fire and Police Authorities	£5M per Organisation	£0M	£5M per Organisation	Yes
UK Call Bank Accounts in UK Banks	£10M per Organisation	£1M	£10M per Organisation	Yes
Money Market Funds (AAA)	£10M per Organisation	£10M	£10M per Organisation	Yes
UK and Foreign Financial Institutions (A-)	£10M per Organisation	£0M	£10M per Organisation	Yes

4.0 What issues are there to be considered?

Prudential Indicators

4.1 Updated prudential and treasury indicators are set out at Appendix A. Tables appearing under Appendix A include the following.

Capital Expenditure (Tables 1 and 2)

4.2 The purpose of this indicator is to provide a summary of the Council's capital expenditure.

- The Council is required to make reasonable estimates of the total capital expenditure that it plans to incur in the forthcoming financial year and the following three financial years.

- After the year end the actual capital expenditure incurred during the financial year will be recorded.

- Expenditure that it plans to incur in the forthcoming financial year and the following three financial years.

Capital Financing Requirement (Tables 3, 4 and 5)

4.3 The Capital Financing Requirement ("CFR") shows the difference between the Authority's capital expenditure and the revenue or capital resources set aside to finance that spend. The CFR will increase where capital expenditure takes place and will reduce as the Authority makes Minimum Revenue Provision ("MRP").

- The Council will make responsible estimates for the total Capital Financing Requirement (CFR) at the end of the forthcoming financial year and the following three years.

- After year end the actual Capital Financing Requirement (CFR) will be calculated directly from the Council's balance sheet.

4.4 The Authorised Limit is the affordable borrowing limit required by Section 3 (1) of the Local Government Act 2003 for English and Welsh Authorities. Once it has been set, the Council does not have the power to borrow above this level.

4.5 The Authorised Limit reflects a level of external debt that, whilst not desired, could be afforded by the Authority in the short term, but which is not sustainable in the longer term.

4.6 The Authority should ensure that gross debt does not, except in the short-term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the current and the next three financial years.

4.7 If the level of gross borrowing is below the Authority's capital borrowing need (the CFR) it demonstrates compliance with the requirement of this Indicator.

Authorised Limit (Table 6)

4.8 The Council will set for the forthcoming financial year and the following two financial years an Authorised limit for its total gross external debt, separately identifying borrowing from other long-term liabilities.

The Operational Boundary and Actual Debt Indicators (Table 7)

4.9 The Operational Boundary is the limit beyond which external debt is not normally expected to exceed. Unlike the Authorised Limit, the Operational Boundary is not an absolute limit, but it reflects the Authority's expectations of the level at which external debt would not ordinarily be expected to exceed.

4.10 The Council will also set for the forthcoming financial year and the following two financial years an Operational boundary for its total gross external debt, separately identifying borrowing from other long-term liabilities.

External Debt

4.11 The Council must disclose the closing balance for actual gross borrowing in respect of the financial period just ended. This will clarify to Members the Authority's overall level of external debt and allow comparison to the Authority's actual borrowing need as provided by the Gross debt and the CFR Indicator.

Gross Debt and the Capital Financing Requirement (Tables 8, 9 and 10)

4.12 An Authority should only borrow to support a capital purpose, and borrowing should not be undertaken for revenue or speculative purposes.

4.13 To ensure that over the medium-term debt will only be for a capital purpose the Council should ensure that debt does not, expect in the short term, exceed the total Capital Financing Requirement in the preceding year plus the estimates of any additional Capital Financing Requirement for the current and next two financial years.

Ratio of Financing Cost to Net Revenue Stream (Table 11)

4.14 This Indicator shows the trend in the cost of capital borrowing and other long-term obligation costs against the net revenue stream i.e., Council Tax and Social Housing rent income.

4.15 The higher the ratio, the higher the proportion of resources tied up just to service net capital costs and which represent a potential affordability risk.

- The Council will estimate for the forthcoming year and the following two financial years the proportion of financing costs to net revenue stream.

- After the year end, the proportion of financing costs to net revenue stream will be calculated directly from the Council's income and expenditure statement.

- Please note that the net revenue stream figures have been calculated to include leasing actuals and future leasing estimates.

- The target for HRA is anticipated to be breached in 2028/29 and 2029/30. Targets will be reviewed as part of the Housing Improvement Programme setting for 2027/28 that is due to taken to Cabinet in January 2027.

Treasury Indicators

Liability Benchmark (Tables 12 and 13)

4.16 The liability benchmark provides an indication of the Council's future borrowing requirements and the level of debt required to support its capital investment plans.

Maturity Structure of Borrowing (Tables 14 and 15)

4.17 The Council is required to set gross limits on maturities for the periods shown and covers both fixed and variable rate borrowings. The reason being to try and control the Council's exposure to large sums falling due for refinancing.

4.18 The Council will set for the forthcoming year both upper and lower limits with respect to the maturity structure of external borrowing. The periods to which these limits will apply are as follows:

- Under 12 months
- 12 Months and within 24 months
- 24 months and within 5 years
- 5years and within 10 years
- 10 years and above

4.19 The Authority's borrowing is spread across a range of maturity periods, providing a balanced repayment profile and limiting exposure to refinancing risk. This approach supports effective cash flow management and helps manage the impact of changes in interest rates.

Limits for Long Term Treasury Management Investments (Tables 16 and 17)

4.20 This Indicator is seeking to support control of liquidity risk. The limits should be set with regard to the Authority's liquidity needs and also reduce the potential need to have to make early exit from an investment in order to recover funds.

4.21 The indicator relates solely to the Authority's investments for treasury management purposes.

4.22 Where a Council invests, or plans to invest, for periods longer than a year, the Council will set an upper limit for each forward financial year period for the maturing of such investments.

5.0 How has evidence been used to inform the report, including the views of others?

5.1 This report has been prepared on the basis of internal and external evidence sources to ensure it meets the requirements of the CIPFA Code of Practice on Treasury Management (the Code), the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) and the Welsh Government (WG) revised guide on Local Government Investments (April 2010). The financial data presented is extracted from the Council's financial ledger and subject to established internal control and reconciliation processes.

5.2 The Head of Finance has undertaken a review of the report to provide assurance on its accuracy, interpretation of data, and compliance with the Council's financial governance framework. In addition, the Council's external treasury management advisors (Arlingclose)

have been consulted, providing specialist technical input and independent commentary on market conditions, performance, and risk considerations.

6.0 What are the next steps if the recommendations are approved?

6.1 Following approval, Treasury Management activities will continue to be undertaken in accordance with the approved Treasury Management Strategy, with performance and compliance monitored throughout the year, including consideration of suitable borrowing opportunities as they arise.

6.2 The next formal report will be the Quarter 3 Treasury Management Report, which will provide an update on the Council's treasury position and performance. The 2027/28 Treasury Management Strategy Report will also be prepared and presented to Cabinet in February 2027.

7.0 How does this report support Vale 2030 and Reshaping?

7.1 Investment income contribution to the income generation stream within the reshaping programme.

8.0 How does this demonstrate the Five Ways of Working?

8.1 The Treasury Management and Investment Strategy ensures that the financial plans of the Council are sustainable into the future and do not adversely impact on future generations.

8.2 The Treasury and Investment Strategy underpins the financial management of the Council and its ability to achieve its well-being objectives as set out in the Corporate Plan.

Resources

9.0 Finance

9.1 Money is borrowed for capital purposes and interest is charged to revenue accounts.

10.0 Workforce

10.1 There are no direct employment issues relating to this report.

11.0 Legal and Equalities

11.1 **Does an Equalities Impact Assessment need to be completed? If not, why?**

An Equalities Impact Assessment has not been completed because this report relates to the continuation and enhancement of an existing operational system managing the Council's cash balances. It does not propose any change to eligibility criteria or substantive policy affecting residents. Accordingly, no full Equality Impact Assessment is considered necessary at this stage.

11.2 Compliance with the Local Government Act 2003 and CIPFA's "Code of Practice for Treasury Management in the Public Services" is mandatory.

12.0 Key Contacts

12.1 **Who are the primary officers to contact with any comments and/or queries on the report?**

Lead Officer: Matthew Bowmer Head of Finance mbowmer@valeofglamorgan.gov.uk	Democratic Services Officer: Matt Swindell Cabinet and Committee Services Officer. mlswindell@valeofglamorgan.gov.uk

Appendices

Appendix A – Prudential and Treasury Management Indicators

Appendix B – The UK Economy 2026/27 (@ 30.09.2026)

Background Documents

CIPFA's Code of Practice for Treasury Management in the Public Services" (2021Edition), "The Prudential Code" (2021 Edition) and WG guidance on Local Authority investments.

Appendix A

Mid Year Treasury Management Prudential Indicators 2026/27

- The following tables are a summary of the reporting requirements for Prudential and Treasury Indicators, as per the 2021 CIPFA Prudential Code for Capital Finance in Local Authorities and 2021 CIPFA Treasury Management in the Public Services Code of Practice and Cross-sectoral Guidance Notes.
- The indicators are required to help Members understand and evaluate the prudence and affordability of the Authority's capital expenditure plans and the borrowing and investment activities undertaken in support of this.

Prudential Indicators
Estimates of capital expenditure
Actual capital expenditure
Estimates of CFR
Actual CFR
Authorised limit for external debt
Operational boundary for external debt
Actual external debt
Gross debt and the CFR
Estimates of financing costs to net revenue stream
Actual financing costs to net revenue stream

Treasury Indicators
Liability Benchmark
Maturity Structure of borrowing
Limits for long-term treasury management investment
Quarterly Investment Yield

1. Capital Expenditure

The purpose of this indicator is to provide a summary of the Council's capital expenditure. It reflects the quarter 2 capital programme presented to Cabinet on the same agenda as this report and the capital programmes proposed for the forthcoming financial year. A supplementary table is included detailing the resources to be applied to finance the capital spend and highlights any net financing need over the reporting period.

- This table shows a comparison of the capital programme as agreed by Cabinet with the latest updated Capital Programme which is reported as part of the Quarter 2 Capital Monitoring.

Table 1 – Capital Expenditure

Capital Expenditure	2025/26 Actual £M	2026/27 Estimate £M	2027/28 Estimate £M	2028/29 Estimate £M	2029/30 Estimate £M
Non HRA	54.603	103.980	60.949	25.779	13.738
HRA	19.162	26.996	73.920	79.220	56.607
Total Capital Expenditure	**73.765**	**130.976**	**134.869**	**104.999**	**70.345**
IFRS16 Leasing New Advances less disposals	1.681	0.245	0.000	0.000	0.000
Total Capital Expenditure	**75.446**	**131.221**	**134.869**	**104.999**	**70.345**

Capital Expenditure by Service	2025/26 Actual £M	2026/27 Estimate £M	2027/28 Estimate £M	2028/29 Estimate £M	2029/30 Estimate £M
Learning & Skills	32.721	56.776	29.503	12.195	2.915
Social Services	3.458	5.066	1.730	2.865	2.850
Environment & Transport	11.493	21.202	10.778	4.785	5.310
Place	5.228	16.604	11.647	0.000	0.000
Corporate Resources	0.796	1.571	0.601	0.653	0.148
City Deal	0	0.438	0.640	3.313	2.515
Pipeline Schemes	0.907	2.323	6.050	1.968	0.000
Housing Revenue Account (HRA)	19.162	26.996	73.920	79.220	56.607
Total Capital Expenditure	**73.765**	**130.976**	**134.869**	**104.999**	**70.345**
IFRS16 Leasing New Advances less disposals	1.681	0.245	0.000	0.000	0.000
Total Capital Expenditure	**75.446**	**131.221**	**134.869**	**104.999**	**70.345**

Changes to the Financing of the Capital Programme

- The table below shows the main sources of funding for the capital expenditure plans of the Authority shown above, highlighting the original

supported and unsupported elements of the capital programme and the expected financing arrangements of this capital expenditure.

- The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt the Minimum Revenue Provision (MRP). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Table 2 – Net Financing Need

Sources of Capital Financing	2025/26 Actual £M	2026/27 Estimate £M	2027/28 Estimate £M	2028/29 Estimate £M	2029/30 Estimate £M
Total Capital Expenditure	**75.446**	**131.592**	**134.869**	**104.999**	**70.345**
Financed by:					
GCF Grant	2.964	4.370	4.370	4.370	4.370
General Fund Reserves & Revenue	2.137	8.243	5.340	1.200	1.200
HRA Reserves & Revenue	0.748	12.504	7.250	2.866	0.532
S106	5.770	4.819	3.316	0.000	0.000
Grants	45.248	76.498	43.664	18.366	7.570
Capital Receipts (General & HRA)	0.033	6.386	2.402	2.557	0.452
Total Financing	**56.900**	**112.820**	**66.342**	**29.359**	**14.124**
Net Financing need for the year					
Supported Borrowing Requirement GF	**6.092**	**5.184**	**3.369**	**3.369**	**3.369**
Prudential Borrowing Requirement - GF	**1.577**	**5.332**	**7.810**	**4.794**	**4.799**
Prudential Borrowing Requirement - HRA	**9.196**	**7.640**	**57.348**	**67.477**	**48.053**
IFRS16 New Advances	**1.681**	**0.245**	**0.000**	**0.000**	**0.000**
Total Borrowing Requirement	**18.546**	**18.401**	**68.527**	**75.640**	**56.221**
Total Financing Need	**75.446**	**131.221**	**134.869**	**104.999**	**70.345**

Prudential Indicators for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary

2. Capital Financing Requirement

- The table below shows the CFR, which is the underlying external need for the Council to incur borrowing for a capital purpose. It also shows the expected debt position over the period, which is termed the Operational Boundary.

Table 3 – Capital Financing Requirement

	2025/26 Actual £M	2026/27 Estimate £M	2027/28 Estimate £M	2028/29 Estimate £M	2029/30 Estimate £M
Prudential Indicator – the Capital Financing Requirement					
CFR – Non-Housing	120.603	126.825	133.601	137.256	140.687
CFR - HRA	89.525	95.175	150.377	214.557	257.964
Total CFR excl Other Long Term Liabilities (OLTL)	**210.128**	**222.000**	**283.978**	**351.813**	**398.651**
Non HRA OLTL CFR	3.506	2.703	2.231	1.938	1.670
Total CFR	**213.634**	**224.703**	**286.209**	**353.751**	**400.321**
Net Financing Need for the Year	16.866	18.156	68.527	75.640	56.221
Net Financing Need for OLTL	1.750	0.616	0.000	0.000	0.000
Less Minimum Revenue Provision	(5.973)	(6.284)	(6.549)	(7.805)	(9.384)
Less Minimum Revenue Provision Leasing	(1.095)	(1.048)	(0.472)	(0.293)	(0.268)
Less OLTL Disposals	(0.069)	(0.371)	0.000	0.000	0.000
Net movement in CFR	**11.479**	**11.069**	**61.506**	**67.542**	**46.569**

Table 4 – General Fund Capital Financing Requirement

Non HRA Capital Financing Requirement	**2025/26 Actual £M**	**2026/27 Estimate £M**	**2027/28 Estimate £M**	**2028/29 Estimate £M**	**2029/30 Estimate £M**
Opening CFR	117.100	120.603	126.825	133.601	137.256
Non HRA OLTL CFR	2.921	3.506	2.703	2.231	1.938
Net Financing Need for the Year	7.670	10.516	11.179	8.163	8.168
Net Financing Need for the Year OLTL	2.054	0.616	0.000	0.000	0.000
Net Financing Need for Remeasurements	(0.304)	0.000	0.000	0.000	0.000
Less Minimum Revenue Provision	(4.168)	(4.294)	(4.403)	(4.508)	(4.737)
Less Minimum Revenue Provision Leasing	(1.095)	(1.048)	(0.472)	(0.293)	(0.268)
Less Lease Disposals	(0.069)	(0.371)	0.000	0.000	0.000
Closing Non HRA CFR	**124.109**	**129.528**	**135.832**	**139.194**	**142.357**

Table 5 Housing Revenue Account Capital Financing Requirement

HRA Capital Financing Requirement	2025/26 Actual £M	2026/27 Estimate £M	2027/28 Estimate £M	2028/29 Estimate £M	2029/30 Estimate £M
Opening CFR	82.135	89.525	95.175	150.377	214.557
Net Financing Need for the Year	9.195	7.640	57.348	67.477	48.053
Less Minimum Revenue Provision	(1.805)	(1.990)	(2.146)	(3.297)	(4.646)
Closing HRA CFR	**89.525**	**95.175**	**150.377**	**214.557**	**257.964**

3. Borrowing Activity

- A key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2025/26 and next two financial years. This allows some flexibility for limited early borrowing for future years. In line with CIPFA guidance the Council will not borrow more than or in advance of its needs purely to profit from the investment of the extra sums borrowed.

- Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds. The figure shown below reflects the Council's current strategy in respect of maximising internal borrowing. This will be kept under review in consultation with the Council's Treasury Management advisers.

4. The Authorised Limit

- The Authorised Limit represents that limit beyond which borrowing is prohibited, and this needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Table 6 Authorised Limit

Authorised limit for external debt	2025/26 Actual £M	2026/27 Estimate £M	2027/28 Estimate £M	2028/29 Estimate £M	2029/30 Estimate £M
Borrowing	255.800	298.472	360.857	425.486	459.910
Other long-term liabilities	10.000	10.000	10.000	10.000	10.000
Total	**265.800**	**308.472**	**370.857**	**435.486**	**469.910**

5. Operational Boundary

- The Operational Boundary is the limit beyond which external debt is not normally expected to exceed. Unlike the Authorised Limit, the Operational Boundary is not an absolute limit, but it reflects the Authority's expectations of the level at which external debt would not ordinarily be expected to exceed.

- The Council will also set for the forthcoming financial year and the following two financial years an Operational boundary for its total gross external debt, separately identifying borrowing from other long-term liabilities.

Table 7 Operational Boundary

Operational Boundary for External Debt	2025/26 Actual £M	2026/27 Estimate £M	2027/28 Estimate £M	2028/29 Estimate £M	2029/30 Estimate £M
Borrowing	231.739	273.808	335.560	399.524	433.250
Other Long-Term Liabilities	5.429	4.393	3.767	3.474	3.242
Total Debt (Year End Position)	**237.168**	**278.201**	**339.327**	**402.998**	**436.492**

6. Gross Debt and the Capital Financing Requirement

- An authority should only borrow to support a capital purpose, and borrowing should not be undertaken for revenue or speculative purposes.

- To ensure that over the medium-term debt will only be for a capital purpose the Council should ensure that debt does not, expect in the short term, exceed the total Capital Financing Requirement in the preceding year plus the estimates of any additional Capital Financing Requirement for the current and next two financial years.

- The Council must disclose the closing balance for actual gross borrowing in respect of the financial period just ended. This will clarify to Members the Authority's overall level of external debt and allow comparison to the Authority's actual borrowing need as provided by the Gross debt and the CFR Indicator.

Table 8 Gross External Debt and CFR

	2025/26	2026/27	2027/28	2028/29	2029/30
	Actual	Estimate	Estimate	Estimate	Estimate
	£M	£M	£M	£M	£M
CFR	213.634	224.703	286.209	353.751	400.321
Gross borrowing	(181.871)	(204.026)	(270.210)	(337.618)	(386.733)
Other long term liabilities	(3.506)	(2.703)	(2.231)	(1.938)	(1.670)
Under/(over) borrowing (Loans)	**28.257**	**17.974**	**13.768**	**14.195**	**11.918**

Table 9 Gross Borrowing at Year End

	2025/26	2026/27	2027/28	2028/29	2029/30
	Actual	Estimate	Estimate	Estimate	Estimate
	£M	£M	£M	£M	£M
Loans at start of year	169.851	181.871	204.026	270.210	337.618
Lease/PFI liabilities at start of year	2.920	3.506	2.703	2.231	1.938
Total gross borrowing at start of year	**172.771**	**185.377**	**206.729**	**272.441**	**339.556**
New borrowing for capital spends	19.500	18.156	68.527	75.640	56.221
New borrowing for maturing debt	0.000	21.000	15.000	5.000	5.000
New lease/PFI liabilities	2.054	0.616	0.000	0.000	0.000
WG Loan	1.000	0.000	0.000	0.000	0.000
Loan repayments	(8.480)	(17.001)	(17.343)	(13.232)	(12.106)
Lease & PFI repayments	(1.095)	(1.048)	(0.472)	(0.293)	(0.268)
Lease Disposals/Remeasurements	(0.373)	(0.371)	0.000	0.000	0.000
Loans at end of year	**181.871**	**204.026**	**270.210**	**337.618**	**386.733**
Lease/PFI liabilities at end of year	**3.506**	**2.703**	**2.231**	**1.938**	**1.670**
Total gross borrowing at end of year	**185.377**	**206.729**	**272.441**	**339.556**	**388.403**

Table 10 Gross Debt / Internal Borrowing

	2025/26 Actual £M	2026/27 Estimate £M	2027/28 Estimate £M	2028/29 Estimate £M	2029/30 Estimate £M

External Net Borrowing	181.871	204.026	270.210	337.618	386.733
Other Long-Term Liabilities	3.506	2.703	2.231	1.938	1.670
Total Debt	185.377	206.729	272.441	339.556	388.403
CFR (Year End Position)	**213.634**	**224.703**	**286.209**	**353.751**	**400.321**
CFR (Year End Position excl OLTL)	**210.128**	**222.000**	**283.978**	**351.813**	**398.651**
Estimated Internal Borrowing	**28.257**	**17.974**	**13.768**	**14.195**	**11.918**

- No difficulties are envisaged for the current or future years in complying with this prudential indicator.

7. Ratio of Relevant Financing Costs to Net Revenue Stream

- This Indicator shows the trend in the cost of capital borrowing and other long term obligation costs against the net revenue stream i.e., Council Tax and Social Housing rent income.
  - The higher the ratio, the higher the proportion of resources tied up just to service net capital costs and which represent a potential affordability risk.
  - The Council will estimate for the forthcoming year and the following two financial years the proportion of financing costs to net revenue stream.
  - After the year end, the proportion of financing costs to net revenue stream will be calculated directly from the Council's income and expenditure statement.

Table 11 Ratio of Financing Costs to Net Revenue Stream

	2025/26	2026/27	2027/28	2028/29	2029/30
	Actual	Estimate	Estimate	Estimate	Estimate
	%	%	%	%	%
Non-HRA	2.82	2.77	3.12	3.07	3.12
Maximum Non-HRA	5	5	5	5	5
HRA	24.01	22.05	31.52	44.17	53.24
Maximum HRA	40	40	40	40	40

- The analysis above shows the Council Fund implications remain relatively stable throughout the period. The HRA cost is increasing over the period in line with the aspirations for maintenance and regeneration set out in the draft Housing Business Plan. The plan demonstrates that this level of investment is affordable over the 30-year period of the plan.

8. The Liability Benchmark

- The revised prudential code (December 2021) requires the Council to adopt a debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement.

- The Council is required to provide a comparison of the existing loan portfolio against the committed borrowing needs. This is to provide evidence that it has a strong grasp of both its existing debt maturity profile and how MRP and other cash flows affect the future debt requirement.

- This indicator should cover as a minimum the forthcoming financial year and the following two years. However, CIPFA strongly recommend that it is produced for at least ten years and should ideally cover the full debt maturity profile.

- The presentation should be in the form of a chart covering the following four areas:

- Existing Loan Debt (current external debt borrowing portfolio split by type of loan and presented as a stacked bar chart).

- Loans CFR (excluding any part of the CFR relating to other long-term liabilities.

- Net loans requirement (loan debt less Treasury Management Investments at the last financial year end and projected into the future based on approved prudential borrowing, planned MRP and other major cash flow forecasts).

- Liability Benchmark (net loans requirement plus any short term liquidity allowance).

- The Liability Benchmark is effectively the Net Borrowing Requirement of a local authority plus a liquidity allowance. In its simplest form, it is calculated by deducting the amount of resources available for investment on the balance sheet (reserves, cash flow balances) from the amount of outstanding external debt and then adding the minimum level of investments required to manage day to day cash flow.

- CIPFA recommends that the optimum position for external borrowing should be at the level of the Liability Benchmark where all balance sheet resources are used to maximise internal borrowing.

- The chart below shows the long-term borrowing impact of the current 30 year capital programme. For illustration, the assumption here is that no new external borrowing is undertaken during this period under review which would not be the case.

Graph A - LIABILITY BENCHMARK GRAPH INCLUDING 30 YEAR HOUSING BUSINESS PLAN

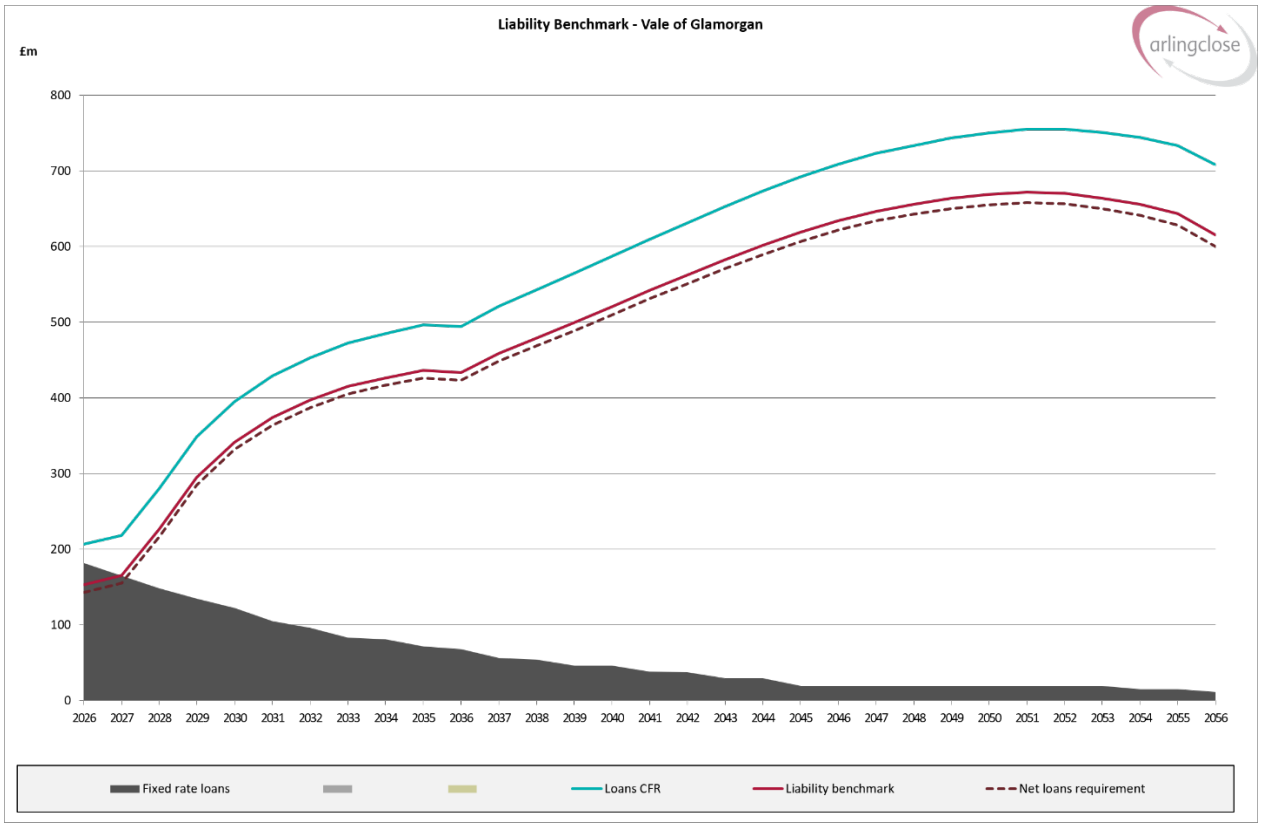


Table 12 – Liability Benchmark (Includes 30 Year Business Plan)

Year	Projected CFR	Projected External debt	Under/Over Borrowing
	£m	£m	£m
2025/26	210.128	181.871	28.257
2026/27	222.000	164.870	57.130
2027/28	283.978	147.527	136.451
2028/29	351.813	134.295	217.518
2029/30	398.651	122.189	276.462
2030/31	432.225	105.095	327.130
2031/32	456.265	95.843	360.422
2032/33	475.834	82.753	393.081
2033/34	488.444	80.647	407.797
2034/35	499.870	70.536	429.334
2035/36	497.992	67.404	430.588

2036/37	524.839	55.932	468.907
2037/38	546.258	53.436	492.822
2038/39	567.669	45.355	522.314
2039/40	590.184	45.272	544.912
2040/41	613.099	37.187	575.912
2041/42	634.729	37.1	597.629
2042/43	656.226	29.01	627.216
2043/44	676.443	28.918	647.525
2044/45	695.223	18.824	676.399
2045/46	712.396	18.824	693.572
2046/47	726.564	18.824	707.740
2047/48	737.065	18.824	718.241
2048/49	746.627	18.824	727.803
2049/50	753.688	18.824	734.864
2050/51	758.218	18.824	739.394
2051/52	758.708	18.824	739.884
2052/53	754.108	18.824	735.284
2053/54	747.593	14.629	732.964
2054/55	737.166	14.629	722.537
2055/56	722.503	10.374	712.129

- The chart shows that external borrowing falls below the liability benchmark. For as long as usable reserve balances are available the Council will maintain this under borrowed position.

- This means that the capital borrowing need of the Council will not be being fully financed with external loan debt as cash supporting the Council's reserves, balances and cash flow will be used as an interim measure to finance the Council's borrowing requirement. This is considered prudent as interest rates are predicted to fall over the short term. Council reserve balances are projected to reduce over the period under review and the Council will need to borrow externally up to and above the LB (as not all reserve balances can be used to finance capital expenditure) in order to finance the capital programme, it has committed to throughout the 30 year period

- The Council's current investments balances are provided in this report. These investments are expected to reduce further as reserves are utilised.

- The Council have forecast that in the worst-case scenario a buffer of £20M will be required to manage the day-to-day cash flow and therefore this amount is included as part of the treasury management liquidity benchmark. The value of this buffer will need to be kept under review in the context of the current inflationary factors.

- The graph (graph B) below shows the approved five-year capital program, with the subsequent 25 year HRA business plan removed

LIABILITY BENCHMARK GRAPH INCLUDING 5 YEAR HOUSING BUSINESS PLAN
Graph B

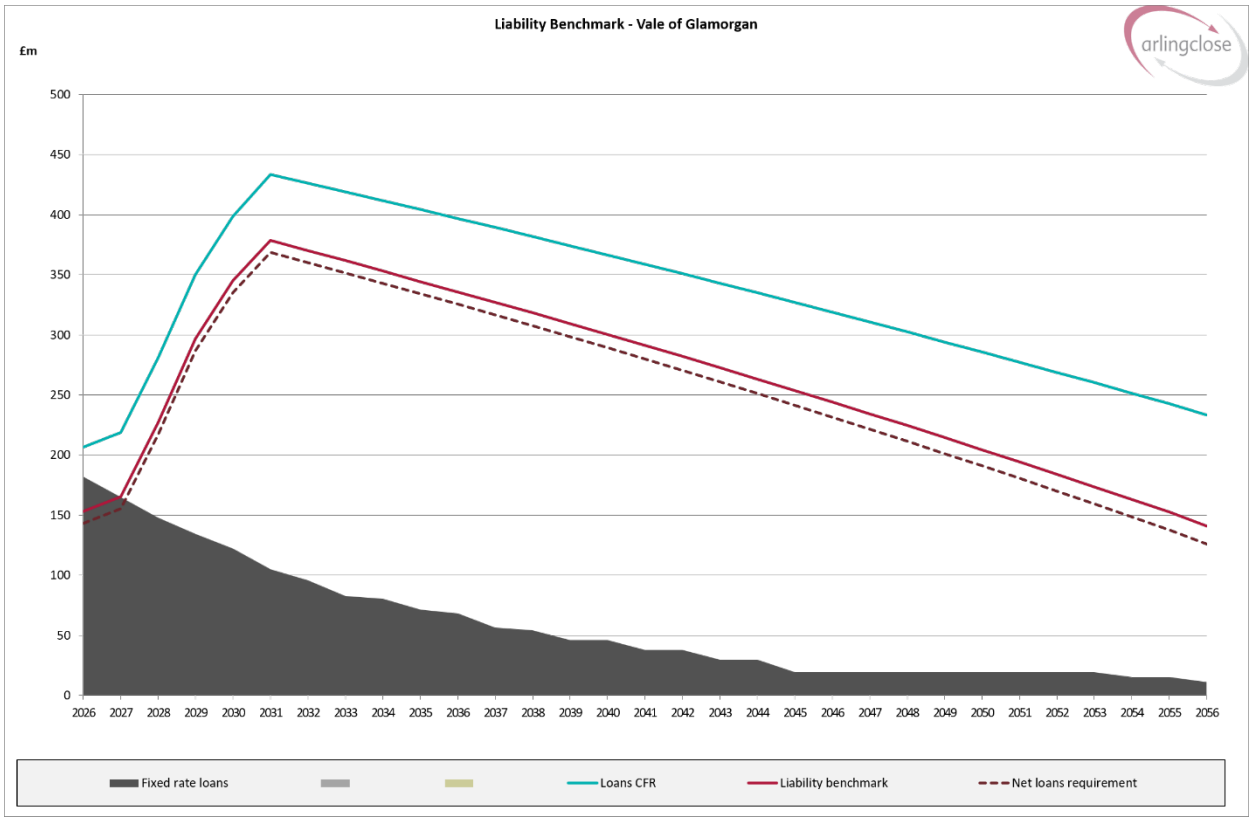


Table 13 (Includes 5 Year Business Plan)

Year	Projected CFR	Projected External debt	Under/Over Borrowing
	£m	£m	£m
2025/26	210.128	181.871	28.257
2026/27	222.000	164.870	57.130
2027/28	283.978	147.527	136.451
2028/29	351.813	134.295	217.518
2029/30	398.651	122.189	276.462
2030/31	432.225	105.095	327.130
2031/32	424.996	95.843	329.153
2032/33	417.700	82.753	334.947
2033/34	410.337	80.647	329.690

2034/35	402.907	70.536	332.371
2035/36	395.410	67.404	328.006
2036/37	387.846	55.932	331.914
2037/38	380.215	53.436	326.779
2038/39	372.517	45.355	327.162
2039/40	364.752	45.272	319.480
2040/41	356.920	37.187	319.733
2041/42	349.021	37.100	311.921
2042/43	341.055	29.01	312.045
2043/44	333.022	28.918	304.104
2044/45	324.922	18.824	306.098
2045/46	316.755	18.824	297.931
2046/47	308.521	18.824	289.697
2047/48	300.220	18.824	281.396
2048/49	291.852	18.824	273.028
2049/50	283.417	18.824	264.593
2050/51	274.915	18.824	256.091
2051/52	266.346	18.824	247.522
2052/53	257.710	18.824	238.886
2053/54	249.007	14.629	234.378
2054/55	240.237	14.629	225.608
2055/56	231.400	10.374	221.026

Graph B shows a position similar to graph A including the 30-year HRA business plan but removes the uncertainty surrounding the borrowing requirement beyond the five-year period.

9. Maturity Structure of Borrowing

- The Council is required to set gross limits on maturities for the periods shown and covers both fixed and variable rate borrowings. The reason being to try and control the Council's exposure to large sums falling due for refinancing.

- The Council will set for the forthcoming year both upper and lower limits with respect to the maturity structure of external borrowing. The periods to which these limits will apply are as follows:

    - Under 12 months
    - 12 Months and within 24 months
    - 24 months and within 5 years
    - 5 years and within 10 years
    - 10 years and above

- As of 30th September 2026, the maturity breakdown of the Council's borrowing based on financial year is set out in the tables below.

Table 14 Maturity Structure of Borrowing

	Actual	Lower Limit	Upper Limit
	%	%	%
Under 12 months	5.89	0	20
12 months and within 24 months	9.90	0	40
24 months and within 5 years	24.22	0	40
5 years and within 10 years	21.16	0	40
10 years and above	38.83	0	100

Table 15 Maturity Profile

Maturity Period	2026/27 Limits	2026/27 @ 30.06.26	2026/27 @ 30.06.26
	%	£M	%
Less than one year	20	10.302	5.89
Between one and two years	40	17.343	9.90
Between two and five years	40	42.433	24.22
Between five and ten years	40	37.064	21.16
Between ten and twenty years	100	48.580	27.73
Between twenty and thirty years	100	4.195	2.39
Between thirty and forty years	100	9.255	5.28
Between forty and fifty years	100	6.000	3.43
Total		**175.172**	**100.00**

- Due to the elevated levels in interest rates currently prevailing in the market the Council as advised by its treasury consultants, Arlingclose, has borrowed externally over shorter maturity dates as interest rates are forecast to fall in the shorter term. This is considered a prudent course of action which will benefit the Council in the longer term.

10. Limits for Long Term Treasury Management Investments

- This Indicator is seeking to support control of liquidity risk. The limits should be set regarding the Authority's liquidity needs and reduce the

potential need to have to make early exit from an investment to recover funds.

- The indicator relates solely to the Authority's investments for treasury management purposes.

- Where a Council invests, or plans to invest, for periods longer than a year, the Council will set an upper limit for each forward financial year period for the maturing of such investments.

Table 16 – Limits for Long Term Treasury Management Investments

	2025/26 Actual £M	2026/27 Estimate £M	2027/28 Estimate £M	2028/29 Estimate £M
Limit for investments > a year	£0m	£10m	£10m	£10m

Investment Yields

- The average monthly yields from the Council's investments for April to September 2026 are set out below. The Bank Base Rate remained unchanged at 3.75% between April and September 2026, with this rate continuing to be reflected in the returns from the Council's investments.

Table 17 – Average Monthly Interest

Average Monthly Interest	Local Authorities	Debt Management Office	Lloyds Bank	CCLA Money Market Funds	Federated Money Market Funds
	%	%	%	%	%
April 2026	5.21	3.72	3.51	3.76	3.83
May 2026	4.39	3.72	3.51	3.80	3.87
June 2026	4.35	3.72	3.51	3.83	3.90
July 2026	4.35	3.72	3.51	3.83	3.91
August 2026	4.35	3.72	3.51	3.85	3.92
Sept 2026	4.37	3.72	3.51	3.86	3.92



Mid-Year Treasury Management Monitoring Report 2026/27

Appendix B

The UK Economy and Interest Rates 2026/2027

Spread of PWLB Rates 2026/2027

1.4.2026 to 30.9.2026

	1 Year	5 Year	10 Year	25 Year	50 Year
01/04/2026	5.14	5.38	5.84	6.41	6.21
30/09/2026	5.49	6.00	6.37	6.87	6.57
Low	4.94	5.24	5.70	6.29	6.09
Low Date	06/07/2026	08/04/2026	08/04/2026	08/04/2026	08/04/2026
High	5.55	6.05	6.41	6.90	6.68
High Date	15/09/2026	15/09/2026	15/09/2026	15/09/2026	14/09/2026
Average	5.18	5.54	6.01	6.61	6.39
Spread	0.61	0.81	0.71	0.61	0.59

Interest rates forecast 2026/27.

Forecast Rates June 2026

	Current	Sep 26	Dec 26	Mar 27	Jun 27	Sep 27	Dec 27	Mar 28	Jun 28	Sep 28	Dec 28	Mar 29	Jun 29
Bank Rate													
Upside Risk	0.00	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Central Case	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Downside Risk	0.00	0.00	-0.25	-0.25	-0.50	-0.50	-0.75	-1.00	-1.25	-1.25	-1.25	-1.25	-1.25
3 Month Market Rate													
Upside Risk	0.00	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Central Case	3.90	3.85	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80
Downside Risk	0.00	-0.05	-0.25	-0.25	-0.50	-0.50	-0.75	-1.00	-1.25	-1.25	-1.25	-1.25	-1.25
5 year Gilt													
Upside Risk	0.00	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Central Case	4.38	4.45	4.40	4.35	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30
Downside Risk	0.00	-0.40	-0.50	-0.50	-0.50	-0.75	-0.85	-0.95	-1.20	-1.25	-1.25	-1.25	-1.25
10 Year Gilt													
Upside Risk	0.00	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Central Case	4.83	4.95	4.90	4.85	4.80	4.80	4.80	4.80	4.80	4.80	4.80	4.80	4.80
Downside Risk	0.00	-0.40	-0.50	-0.50	-0.50	-0.75	-0.85	-0.95	-1.20	-1.25	-1.25	-1.25	-1.25
20 Year Gilt													
Upside Risk	0.00	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Central Case	5.46	5.50	5.50	5.45	5.40	5.40	5.40	5.40	5.40	5.40	5.40	5.40	5.40
Downside Risk	0.00	-0.40	-0.50	-0.50	-0.50	-0.75	-0.80	-0.90	-1.00	-1.20	-1.20	-1.20	-1.20
50 Year Gilt													
Upside Risk	0.00	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Central Case	5.14	5.15	5.15	5.10	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05
Downside Risk	0.00	-0.40	-0.50	-0.50	-0.50	-0.75	-0.80	-0.90	-1.00	-1.20	-1.20	-1.20	-1.20

Interest rates forecast 2026/27.

Forecast Rates September 2026

	Current	Dec 26	Mar 27	Jun 27	Sep 27	Dec 27	Mar 28	Jun 28	Sep 28	Dec 28	Mar 29	Jun 29	Sep 29
Bank Rate													
Upside Risk	0.00	0.50	1.00	1.00	1.00	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Central Case	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Downside Risk	0.00	0.00	0.00	-0.25	-0.50	-0.50	-0.75	-1.00	-1.25	-1.25	-1.25	-1.25	-1.25
3 Month Market Rate													
Upside Risk	0.00	0.50	1.00	1.00	1.00	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Central Case	3.90	3.90	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.80	3.80	3.80
Downside Risk	0.00	-0.05	0.00	-0.25	-0.50	-0.50	-0.75	-1.00	-1.25	-1.25	-1.25	-1.25	-1.25
5 year Gilt													
Upside Risk	0.00	0.50	0.75	0.75	0.75	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	4.87	4.80	4.70	4.70	4.70	4.70	4.70	4.70	4.70	4.70	4.70	4.70	4.70
Downside Risk	0.00	-0.40	-0.50	-0.50	-0.50	-0.75	-0.85	-0.95	-1.20	-1.25	-1.25	-1.25	-1.25
10 Year Gilt													
Upside Risk	0.00	0.50	0.75	0.75	0.75	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	5.26	5.20	5.10	5.10	5.10	5.10	5.10	5.10	5.10	5.10	5.10	5.10	5.10
Downside Risk	0.00	-0.40	-0.50	-0.50	-0.50	-0.75	-0.85	-0.95	-1.20	-1.25	-1.25	-1.25	-1.25
20 Year Gilt													
Upside Risk	0.00	0.50	0.75	0.75	0.75	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	5.71	5.70	5.60	5.60	5.60	5.60	5.60	5.60	5.60	5.60	5.60	5.60	5.60
Downside Risk	0.00	-0.40	-0.50	-0.50	-0.50	-0.75	-0.80	-0.90	-1.00	-1.20	-1.20	-1.20	-1.20
50 Year Gilt													
Upside Risk	0.00	0.50	0.75	0.75	0.75	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	5.21	5.35	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25
Downside Risk	0.00	-0.40	-0.50	-0.50	-0.50	-0.75	-0.80	-0.90	-1.00	-1.20	-1.20	-1.20	-1.20

Spread of Interest Rates 2026/27

1.4.2026 to 30.9.2026

	Bank Rate	Sonia	7 Day	1 Month	3 Months	6 Months	12 Months
High	3.75%	3.73%	3.82%	3.89%	4.14%	4.49%	4.91%
High Date	01/04/26	30/09/26	26/06/26	14/09/26	29/09/26	14/09/26	23/09/26
Low	3.75%	3.72%	3.76%	3.79%	3.91%	4.09%	4.33%
Low Date	30/09/26	09/06/26	01/05/26	02/07/26	07/07/26	17/04/26	17/04/26
Average	3.75%	3.73%	3.79%	3.82%	4.00%	4.24%	4.57%
Spread	0.00%	0.005%	0.05%	0.10%	0.23%	0.40%	0.58%