Agenda Item No: 11

| | |
|---|---|
| **Meeting of:** | **Cabinet** |
| **Date of Meeting:** | **Thursday, 24 September 2026** |
| **Relevant Scrutiny Committee:** | Resources Scrutiny Committee |
| **Item which the Chair has decided is urgent (Part I)**<br>**(If yes, why)** | Not applicable |
| **Urgent Decision Procedure Used (15.14 of the Constitution)**<br>**(If yes, why)** | Not applicable |
| **Item Type** | Part I |
| **Report Title:** | Quarter 1 Treasury Management Monitoring 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 as at 30th June 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 quarterly monitoring report continues to incorporate leasing liabilities among the performance indicators, in compliance with IFRS 16.

1.3 Throughout the first quarter 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. Market interest rates have remained elevated during the period, although expectations remain that they will reduce over the medium term. 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.

1.4 The /Section 151 Officer Section 151 Officer advises that all treasury management activity undertaken during the period to 30th June 2026 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 is the Recommendation?

| | Recommendation – What and How? | Reason for Recommendation – Why? |
|---|---|---|
| 2.1 | That Cabinet accepts the Quarter One Monitoring report for Treasury Management 2026/27 and that the report be referred to Governance and Audit Committee for review, with any Recommendations referred back to Cabinet for consideration. | To inform Cabinet of the monitoring position for Treasury Management as at 30th June 2026 and inform Governance and Audit Committee of the position in respect of Treasury Management. |

## 3.0 What is the background to this report?

3.1 This quarterly Treasury Management Monitoring Report covers the latest position in respect of Prudential and Treasury indicators for Quarter 1 2026/27 for the period 1st April to 30th June 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.

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/Section 151 Officer 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 reported to and approved by Council on 9th March 2026

3.7 With the UK economy experiencing a stable interest rate environment during the first quarter 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.

3.8 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.

3.9 The Head of Finance//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.

3.10 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**

3.11 This quarter has seen the continuation of the Middle East conflict, started on 28th February 2026 with strikes by Israel and the US on Iran. The conflict led to the closure of the Hormuz Strait, a waterway through which around 20% of the world's oil and liquified natural gas flows, resulting in sharp rises in energy and other commodity prices. Towards the end of the quarter, the US and Iran came to an agreement to negotiate a peace settlement, which prompted a reduction in energy commodity prices, albeit remaining higher than pre-war.

3.12 Having been expected to cut Bank Rate from 3.75%, the Bank of England's Monetary Policy Committee (MPC) instead held Bank Rate steady throughout the quarter. Despite sending hawkish signals with each monetary policy decision, and the voting split changing from a 9-0 hold in March to a 7-2 hold in June, the majority of committee members appear to believe the UK economy and labour market were soft enough to absorb the price shock without producing the persistent inflationary conditions seen in 2022, which led to Bank Rate rising to 5.25%. This appears to be backed up by business surveys towards the end of the quarter suggesting that business pricing pressures, while elevated, are abating.

3.13 Against expectations, UK headline Consumer Price Index (CPI) decreased over the quarter, from an annual rate of 3.3% in March to 2.8% in May, but still well above the Bank of England's 2% target. The core measure of CPI inflation also decreased, from 3.1% to 2.6% over the same period. Upside pressure in inflation generally reflected fuel prices, but many other categories experienced disinflation, providing some evidence that higher energy prices were not immediately feeding into a wider subset of products.

3.14 Inflation is expected to rise from July following a 13% increase in the retail energy price cap, with forecasts suggesting inflation could rise to between 3.5% and 4.0%. This is likely to test the MPC's resolve to maintain Bank Rate at 3.75%.

3.15 Data released during the period showed the UK economy expanded by 0.6% in the first quarter of the calendar year, following three previous quarters of weaker growth. However, monthly GDP data showed a contraction of 0.1% in April as weaker confidence affected spending and investment decisions. Purchasing managers' index (PMI) data indicated that softer growth was also likely in May and June, with the services PMI denoting a small contraction in activity from both months.

3.16 Labour market data showed a continued softening in employment conditions, as weaker private sector earnings growth was reported for the period February to April 2026. The unemployment rate for April was 4.9%, Pay As You Earn (PAYE) employment was down over the year, and the number of vacancies continued to fall. The looser labour market is supporting the MPC's decision not to tighten monetary policy, with the likelihood of wage growth rising in line with inflation appearing remote.

3.17 Arlingclose, the Authority's treasury adviser, maintained its central view that Bank Rate remain at 3.75%, and that the Bank of England would focus on the spare capacity in the economy, notably the labour market, rather than the upside risk of persistent inflation. The balance of risks over the near term, however, is deemed to be to the upside as signs of second round inflationary effects will prompt policymakers to raise interest rates. Over the medium term, the balance of risk for Bank Rate shifts to the downside, with tighter monetary policy, higher prices and weaker growth presenting downside risks for inflation.

3.18 The US Federal Reserve also held interest rates steady the period, maintaining the Federal Funds Rate at 3.50% to 3.75%. The decision in June was the sixth consecutive month where no changes were made to the main interest rate. US CPI jumped to 4.2% in May on the back of higher gasoline prices, raising the possibility that policy under new Federal Chair Kevin Warsh may lead to higher rather than lower rates.

3.19 The European Central Bank (ECB) hiked rates in June, the first rise since September 2023. The ECB noted heightened uncertainty in the near-term from the effects of the war, including higher inflation and potentially weaker growth. The June hike to 2.40% represented an insurance move to maintain inflation around the 2% target.

**Financial Markets**

3.20 After the sharp deterioration early in the quarter, sentiment in financial markets showed signs of improvement during the period as hopes for an end to the US/Israel war with Iran increased. However, bond and equity markets remained volatile. Early in the period bond yields rose sharply due to tighter monetary policy expectations but yields steadily declined as it became apparent central banks, including the Bank of England, were not going to immediately hike policy rates. Equity markets sold off sharply in March but gained back some of the previous declines, particularly in US markets, where AI related sentiment remained strong.

3.21 Political uncertainty in the UK due to poor local election results for the Labour party placed upward pressure on medium and longer-term gilt yields. The eventual resignation of Keir Starmer and the likely succession of Andy Burnham reduced some uncertainty and prompted a decline in yields.

3.22 Over the quarter, the 10-year UK benchmark gilt yield started at 4.86% and ended at 4.77% having hit 5.20% in late April. The 20-year gilt yield was slightly more stable, starting at 5.45% and finished at 5.42%, after peaking at 5.79% in May. The Sterling Overnight Rate (SONIA) averaged 3.73% over the quarter to 30th June.

**Credit Review**

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

3.24 During the quarter, Fitch upgraded numerous banks due to a rating methodology change, which placed greater emphasis on resolution regimes, loss-absorbing debt buffers and depositor protection. It also changed the reference obligations used for Issuer Default Ratings and introduced more differentiated notching between deposits, senior preferred, senior unsecured and senior non-preferred debt ratings.

3.25 Moody’s also made changes to the ratings of European banks following the passing of EU legislation introducing full depositor preference across the bloc which places deposits ahead of senior unsecured debt in the creditor hierarchy. This resulted in upgrades to the ratings to several counterparties on Arlingclose’s recommended list.

3.26 Credit default swap (CDS) prices on UK banks spiked through late March/early April following escalation in the Iran war but eased back over the rest of the quarter to end at broadly pre-conflict levels.

3.27 European banks’ CDS prices followed a similar pattern, albeit some German banks were modestly higher compared to the previous quarter. Trade tensions between Canada and the US caused Canadian bank CDS prices to rise over the quarter and remain elevated compared to earlier Q1 2026 while Australian and Singaporean lenders were broadly unchanged.

3.28 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.

3.29 Financial market volatility is expected to remain a feature, at least in the near term, and credit default swap levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remain under constant review.

**Local Context**

3.30 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 | 129.319 |
| HRA CFR | 89.525 | 110.808 |
| Total CFR | 213.634 | 240.127 |
| Less: *Other debt liabilities | (3.506) | (2.416) |
| Borrowing CFR | 210.128 | 237.711 |
| External borrowing** | **(181.871)** | **(219.737)** |
| Internal borrowing | 28.257 | 17.974 |
| Less: Balance sheet resources | **(67.000)** | **(28.000)** |
| Amount Available for Investments | **38.743** | **10.026** |

3.31 The treasury management position at 30th June 2026 and the change over the quarter is shown in Table 2 below.

**Table 2: Treasury Management Summary**

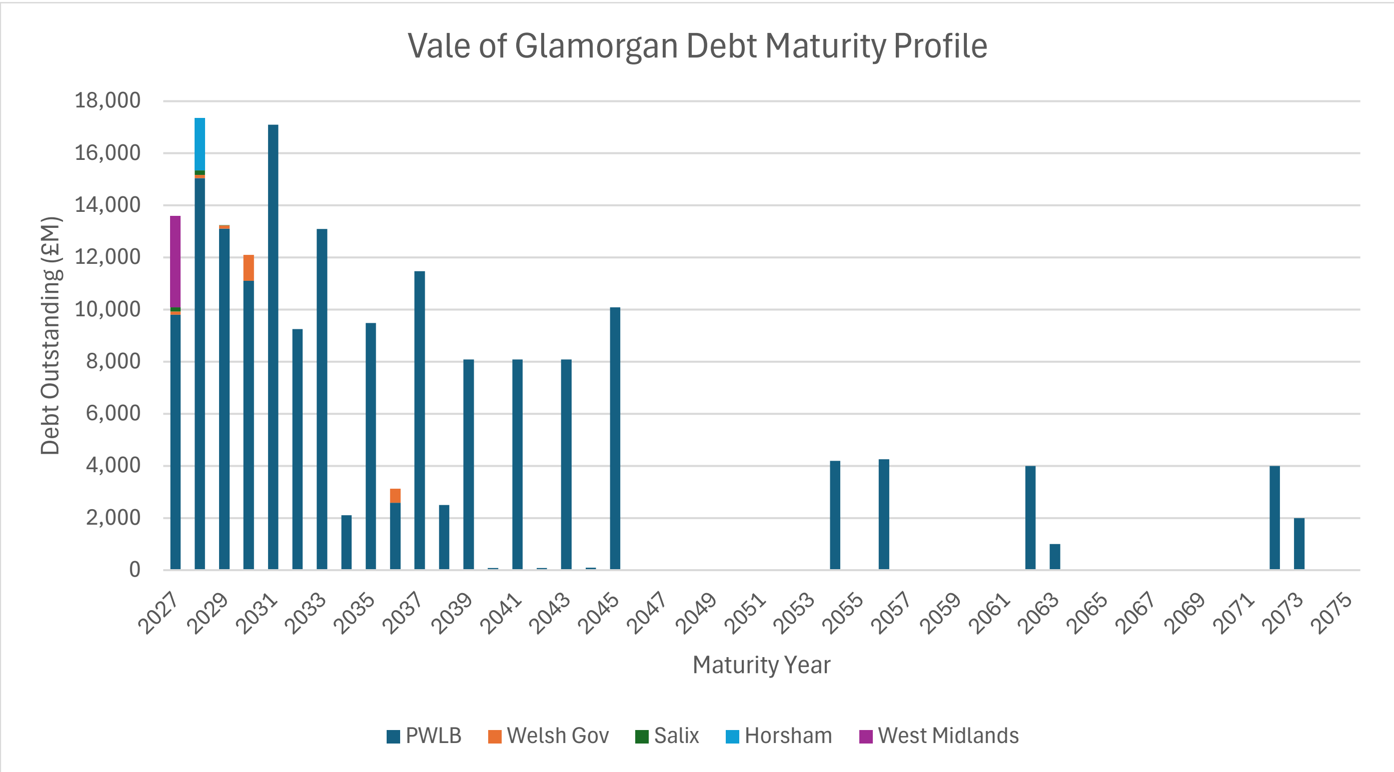
| | 31.3.26 Balance | Movement | 30.6.26 Balance | 30.6.26 Rate |
|---|---|---|---|---|
| | £m | £m | £m | % |
| **Long-term borrowing** | | | | |
| PWLB | (173.935) | 3.238 | (170.697) | 4.38 |
| Other | (7.936) | 0.169 | (7.767) | 3.52 |
| **Total borrowing** | **(181.871)** | **3.407** | **(178.464)** | 4.34 |
| Long-term Investments | 0.000 | 0.000 | 0.000 | 0.00 |

| | | | | |
|---|---|---|---|---|
| Short-term investments | 34.350 | 19.625 | 53.975 | 4.16 |
| Cash and cash equivalents | 2.750 | (0.100) | 2.650 | 3.51 |
| **Total investments** | **37.100** | **19.525** | **56.625** | 4.14 |
| **Net (borrowing)** | **(144.771)** | **22.932** | **(121.839)** | |

**Borrowing Strategy and Activity**

3.32 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 June 2026.

**Chart 1 – Debt Maturity Profile**




3.33 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.

3.34 Gilt yields have moved about during the period but overall have decreased slightly. Oil prices have reduced and inflationary figures in the UK have not risen by as much as markets initially expected. Concerns about the tepid UK economy have also lessened expectations of future rate rises which has lowered gilt yields.

3.35 The PWLB certainty rate for 5-year maturity loans was 5.16% at the beginning of the period and 5.07% at the end. The lowest available 5-year maturity certainty rate was 5.04% and the highest was 5.49%. In contrast rates for 20-year maturity loans ranged from 6.02% to 6.50% during the period, and 50-year maturity loans from 5.89% to 6.35%. After coming down from a characteristic spike seen around financial year end, the cost of short term borrowing from other Local Authorities has remained a little above Base Rate, at between 4.0% and 4.5%, throughout the period.

3.36 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.

3.37 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 (HRA) and for refinancing existing HRA loans.

3.38 As at 30th June 2026 the Authority held £178.463m of loans, a decrease of £3.408m to 31st March 2026, as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 30th June 2026 are summarised in Table 3 below:

**Table 3: Borrowing Position**

| Loan Type | Opening Balance 31/03/2026 | Received | Repaid | Closing Balance 30/06/2026 | Weighted Average Rate |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | % |
| PWLB | 173.935 | 0.000 | (3.238) | 170.697 | 4.38 |
| 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** | **(3.407)** | **178.464** | |

3.39 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).

3.40 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 2 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.

3.41 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.

3.42 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.

3.43 No external borrowing was undertaken during the first quarter of 2026/27. Borrowing is to be undertaken during the second quarter to finance approved General Fund and Housing Revenue Account capital expenditure. Eligible PWLB loans are expected to benefit from a 20 basis point deduction for General Fund borrowing and a 60 basis point deduction for HRA borrowing.

**Treasury Management Investment Activity**

3.44 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.

3.45 The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the first quarter, the Authority's investment balances ranged between £37.100M and £56.625M 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 | 30/06/26 Balance | 30/06/26 Income Return | 30/06/26 Weighted Average Maturity |
|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | % | Days |
| **UK Local Authorities** | 16.500 | 24.000 | (9.000) | 31.500 | 4.35 | 241.0 |
| **Debt Management Office** | 0.000 | 201.200 | (198.725) | 2.475 | 3.72 | 16.6 |
| **Federated Hermes Money Market Funds (MMF)** | 7.850 | 6.150 | (4.000) | 10.000 | 3.87 | n/a |
| **CCLA Money Market Funds (MMF)** | 10.000 | 0.000 | 0.000 | 10.000 | 3.80 | n/a |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Lloyds Deposit Account** | 2.750 | 4.625 | (4.725) | 2.650 | 3.51 | n/a |
| **Total** | **37.100** | **235.975** | **(216.450)** | **56.625** | | |

3.46 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.

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

3.48 All investment activity during the first quarter 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 quarter was partly attributable to timing differences in cash flows and the receipt of grant funding

3.49 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 quarter of 2026/27.

3.50 The Bank Rate remained unchanged at 3.75% during the first quarter of 2026/27. The MPC has maintained Bank Rate at its current level, with short term interest rates remaining broadly stable. The outlook remains uncertain, with expectations that rates will remain unchanged in the short term. Interest rate forecasts for 2026/27 can be found at Appendix B.

3.51 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 3.90%.

3.52 Most major asset classes delivered positive returns over quarter 1 of 2026/27, although markets remained volatile and sensitive to geopolitical developments, energy prices and changing expectations for interest rates. The quarter generally represented a recovery from the weakness seen towards the end of 2025/26, when markets were unsettled by the escalation of conflict between the US, Israel and Iran. As tensions in the Middle East began to ease and oil prices fell back, investor sentiment improved and most asset prices recovered.

3.53 Equity markets generally performed strongly over the quarter, supported by improving risk appetite, resilient corporate earnings and continued enthusiasm for technology and AI-related investment. Emerging markets performed most strongly, with UK equities also delivering positive returns, although lagging overseas markets. This partly reflected the more defensive composition of the UK market and its exposure to falling commodity prices (such as oil).

3.54 Bond markets produced more modest but generally positive returns. Government bond markets were affected by competing influences. Higher energy prices and geopolitical uncertainty initially raised concerns about inflation, while later falls in oil prices and softer economic data helped support expectations that global central banks may still ultimately be able to reduce interest rates over time. UK gilts came under pressure (prices falling, yields increasing) with expectations of Bank Rate increases, plus domestic political uncertainty rising, but yields declined during June following the apparent 'conclusion' of the war, reduction in energy prices and decline in interest rate expectations, finishing the quarter at similar levels to the start.

3.55 Investment returns remained strong during the first quarter 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.

3.56 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.

3.57 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.

3.58 Deposits placed with local authorities and the DMO were for periods between overnight and 364 days.

3.59 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.

3.60 The Head of Finance/Section 151 Officer will continue to keep the borrowing and investment strategies under review.

3.61 The Head of Finance/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** | **30.6.26 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 & Police Authorities | £5M per Organisation | £0M | £5M per Organisation | Yes |
| UK Call Bank Accounts in UK Banks | £10M per Organisation | £2.65M | £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.

**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/Section 151 Officer 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 Mid-Year Treasury Management Report, which will provide an update on the Council's treasury position and performance.

## 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:<br>Matthew Bowmer<br>Head of Finance/Section 151 Officer<br>mbowmer@valeofglamorgan.gov.uk | Democratic Services Officer:<br>Matt Swindell<br>Cabinet and Committee Services Officer.<br>mlswindell@valeofglamorgan.gov.uk |

## Appendices

Appendix A – Prudential and Treasury Management Indicators

Appendix B – The UK Economy 2026/27 (@ 30.06.2026)

## 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**

**Quarter 1 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 1 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 1 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 | 102.566 | 59.382 | 25.779 | 13.738 |
| HRA | 19.162 | 49.508 | 73.920 | 79.220 | 45.351 |
| **Total Capital Expenditure** | **73.765** | **152.074** | **133.302** | **104.999** | **59.089** |
| IFRS16 Leasing New Advances | 1.681 | 0.018 | 0.000 | 0.000 | 0.000 |
| **Total Capital Expenditure** | **75.446** | **152.092** | **133.302** | **104.999** | **59.089** |

| **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 | 56.396 | 20.413 | 11.871 | 2.915 |
| Social Services | 3.458 | 4.715 | 1.730 | 2.865 | 2.850 |
| Environment & Transport | 11.493 | 21.226 | 10.402 | 4.785 | 5.310 |
| Place | 5.228 | 16.031 | 11.546 | 0.000 | 0.000 |
| Corporate Resources | 0.796 | 1.437 | 0.601 | 0.653 | 0.148 |
| City Deal | 0 | 0.438 | 0.640 | 3.313 | 2.515 |
| Pipeline Schemes | 0.907 | 2.323 | 14.050 | 2.292 | 0.000 |
| Housing Revenue Account (HRA) | 19.162 | 49.508 | 73.920 | 79.220 | 45.351 |
| **Total Capital Expenditure** | **73.765** | **152.074** | **133.302** | **104.999** | **59.089** |
| IFRS16 Leasing New Advances | 1.681 | 0.018 | 0.000 | 0.000 | 0.000 |
| **Total Capital Expenditure** | **75.446** | **152.092** | **133.302** | **104.999** | **59.089** |

**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** | | | | | |
| | | | | | |
| Financed by: | | | | | |
| GCF Grant | 2.964 | 4.370 | 4.370 | 4.370 | 4.370 |
| General Fund Reserves & Revenue | 2.137 | 7.978 | 5.250 | 1.200 | 1.200 |
| HRA Reserves & Revenue | 0.748 | 16.120 | 7.841 | 2.866 | 0.532 |
| S106 | 5.770 | 6.032 | 1.940 | 0.000 | 0.000 |
| Grants | 45.248 | 76.534 | 42.930 | 18.366 | 7.570 |
| Capital Receipts (General & HRA) | 0.033 | 7.173 | 2.402 | 2.557 | 0.452 |
| **Total Financing** | **56.900** | **118.207** | **64.733** | **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** | **5.410** | **7.143** | **4.794** | **4.799** |
| **Prudential Borrowing Requirement - HRA** | **9.196** | **23.273** | **58.057** | **67.477** | **36.797** |
| **IFRS16 New Advances** | **1.681** | **0.018** | **0.000** | **0.000** | **0.000** |
| **Total Borrowing Requirement** | **18.546** | **33.885** | **68.569** | **75.640** | **44.965** |
| **Total Financing Need** | **75.446** | **152.092** | **133.302** | **104.999** | **59.089** |

**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 | 126.903 | 133.011 | 136.677 | 140.118 |
| CFR - HRA | 89.525 | 110.808 | 166.406 | 230.259 | 262.083 |
| **Total CFR excl Other Long Term Liabilities (OLTL)** | **210.128** | **237.711** | **299.417** | **366.936** | **402.201** |
| Non HRA OLTL CFR | 3.506 | 2.416 | 1.780 | 1.498 | 1.242 |
| **Total CFR** | **213.634** | **240.127** | **301.197** | **368.434** | **403.443** |
| | | | | | |
| Net Financing Need for the Year | 16.866 | 33.867 | 68.569 | 75.640 | 44.965 |
| Net Financing Need for OLTL | 1.750 | 0.018 | 0.000 | 0.000 | 0.000 |
| Less Minimum Revenue Provision | (5.973) | (6.284) | (6.863) | (8.120) | (9.700) |
| Less Minimum Revenue Provision Leasing | (1.095) | (1.108) | (0.636) | (0.282) | (0.256) |
| Less OLTL Disposals | (0.069) | 0.000 | 0.000 | 0.000 | 0.000 |
| **Net movement in CFR** | **11.479** | **26.493** | **61.070** | **67.238** | **35.009** |

**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 | 126.903 | 133.011 | 136.677 |
| Non HRA OLTL CFR | 2.921 | 3.506 | 2.416 | 1.780 | 1.498 |
| Net Financing Need for the Year | 7.670 | 10.594 | 10.512 | 8.163 | 8.168 |
| Net Financing Need for the Year OLTL | 2.054 | 0.018 | 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) | (4.405) | (4.496) | (4.727) |
| Less Minimum Revenue Provision Leasing | (1.095) | (1.108) | (0.636) | (0.282) | (0.256) |
| Less Lease Disposals | (0.069) | 0.000 | 0.000 | 0.000 | 0.000 |
| **Closing Non HRA CFR** | **124.109** | **129.319** | **134.790** | **138.176** | **141.360** |

**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 | 110.808 | 166.406 | 230.259 |
| Net Financing Need for the Year | 9.195 | 23.273 | 58.057 | 67.477 | 36.797 |
| Less Minimum Revenue Provision | (1.805) | (1.990) | (2.459) | (3.624) | (4.973) |
| **Closing HRA CFR** | **89.525** | **110.808** | **166.406** | **230.259** | **262.083** |

## 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 | 240.127 | 301.197 | 368.434 | 403.443 |
| Gross borrowing | (181.871) | 219.737 | 285.963 | 353.371 | 391.230 |
| Other long term liabilities | (3.506) | 2.416 | 1.780 | 1.498 | 1.242 |
| **Under/(over) borrowing (Loans)** | **28.257** | **17.974** | **13.454** | **13.565** | **10.971** |

**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 | 213.737 | 285.963 | 353.371 |
| Lease/PFI liabilities at start of year | 2.920 | 3.506 | 2.416 | 1.78 | 1.498 |
| **Total gross borrowing at start of year** | **172.771** | **185.377** | **222.153** | **287.743** | **354.869** |
| New borrowing for capital spends | 19.500 | 33.867 | 68.569 | 75.640 | 44.965 |
| New borrowing for maturing debt | 0.000 | 21.000 | 15.000 | 5.000 | 5.000 |
| New lease/PFI liabilities | 2.054 | 0.018 | 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) | (1.108) | (0.636) | (0.282) | (0.256) |

| | | | | | |
|---|---|---|---|---|---|
| Lease Disposals/Remeasurements | (0.373) | 0.000 | 0.000 | 0.000 | 0.000 |
| **Loans at end of year** | **181.871** | **219.737** | **285.963** | **353.371** | **391.230** |
| **Lease/PFI liabilities at end of year** | **3.506** | **2.416** | **1.780** | **1.498** | **1.242** |
| **Total gross borrowing at end of year** | **185.377** | **222.153** | **287.743** | **354.869** | **392.472** |

**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 | 219.737 | 285.963 | 353.371 | 391.230 |
| Other Long-Term Liabilities | 3.506 | 2.416 | 1.780 | 1.498 | 1.242 |
| Total Debt | 185.377 | 222.153 | 287.743 | 354.869 | 392.472 |
| **CFR (Year End Position)** | **213.634** | **240.127** | **301.197** | **368.434** | **403.443** |
| **CFR (Year End Position excl OLTL)** | **210.128** | **237.711** | **299.417** | **366.936** | **402.201** |
| **Estimated Internal Borrowing** | **28.257** | **17.974** | **13.454** | **13.565** | **10.971** |

- 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 Actual %** | **2026/27 Estimate %** | **2027/28 Estimate %** | **2028/29 Estimate %** | **2029/30 Estimate %** |
|---|---|---|---|---|---|
| Non-HRA | 2.82 | 2.77 | 3.11 | 3.05 | 3.10 |
| Maximum Non-HRA | 5 | 5 | 5 | 5 | 5 |
| HRA | 24.01 | 24.66 | 35.20 | 47.62 | 54.80 |
| 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**

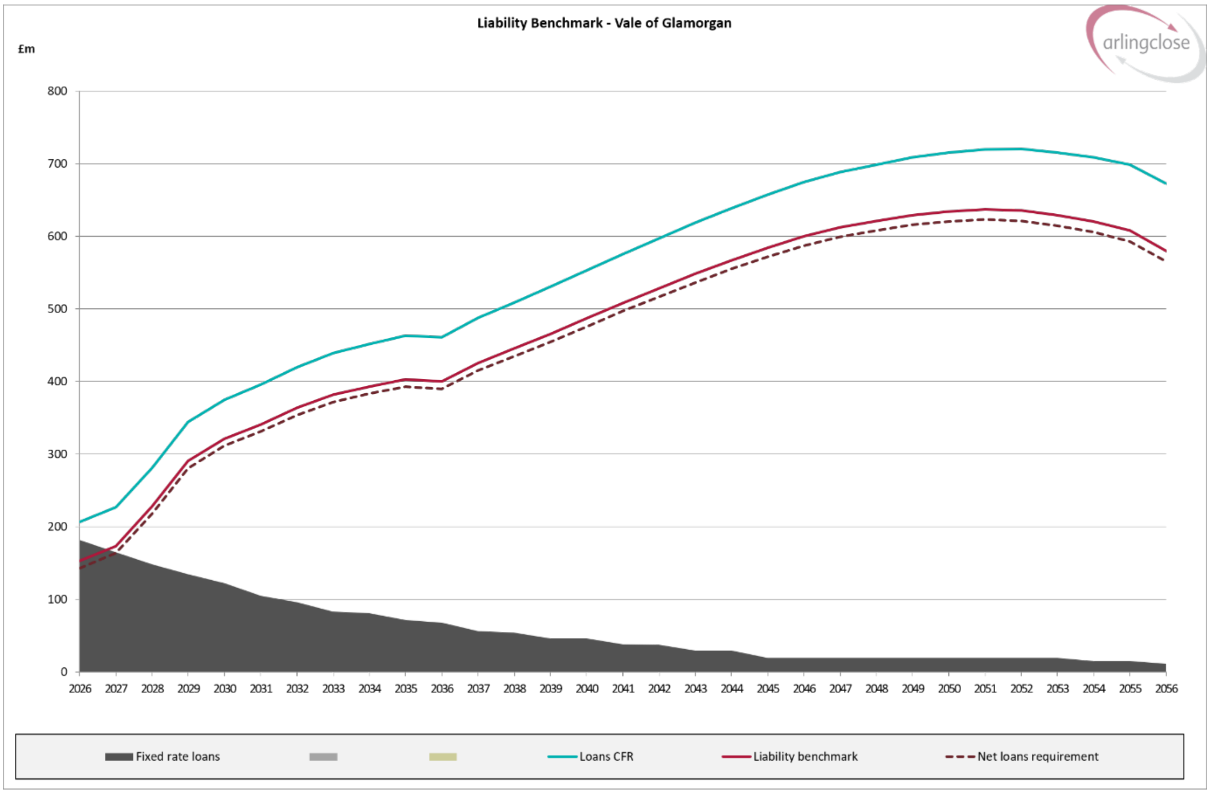



**Table 12 – Liability Benchmark (Includes 30 Year Business Plan)**

| Year | Projected CFR | Projected External debt | Under/Over Borrowing |
|---|---|---|---|
| | £m | £m | £m |
| 2025/26 | 210.128 | 181.871 | 28.257 |
| 2026/27 | 237.711 | 164.870 | 72.841 |
| 2027/28 | 299.417 | 147.527 | 151.890 |
| 2028/29 | 366.936 | 134.295 | 232.641 |
| 2029/30 | 402.201 | 122.189 | 280.012 |
| 2030/31 | 424.429 | 105.095 | 319.334 |
| 2031/32 | 448.377 | 95.843 | 352.534 |
| 2032/33 | 467.854 | 82.753 | 385.101 |
| 2033/34 | 480.372 | 80.647 | 399.725 |

| | | | |
|---|---|---|---|
| 2034/35 | 491.706 | 70.536 | 421.170 |
| 2035/36 | 489.736 | 67.404 | 422.332 |
| 2036/37 | 516.491 | 55.932 | 460.559 |
| 2037/38 | 537.818 | 53.436 | 484.382 |
| 2038/39 | 559.137 | 45.355 | 513.782 |
| 2039/40 | 581.560 | 45.272 | 536.288 |
| 2040/41 | 604.383 | 37.187 | 567.196 |
| 2041/42 | 625.921 | 37.100 | 588.821 |
| 2042/43 | 647.326 | 29.010 | 618.316 |
| 2043/44 | 667.451 | 28.918 | 638.533 |
| 2044/45 | 686.139 | 18.824 | 667.315 |
| 2045/46 | 703.220 | 18.824 | 684.396 |
| 2046/47 | 717.296 | 18.824 | 698.472 |
| 2047/48 | 727.705 | 18.824 | 708.881 |
| 2048/49 | 737.175 | 18.824 | 718.351 |
| 2049/50 | 744.144 | 18.824 | 725.320 |
| 2050/51 | 748.582 | 18.824 | 729.758 |
| 2051/52 | 748.980 | 18.824 | 730.156 |
| 2052/53 | 744.288 | 18.824 | 725.464 |
| 2053/54 | 737.681 | 14.629 | 723.052 |
| 2054/55 | 727.162 | 14.629 | 712.533 |
| 2055/56 | 712.407 | 10.374 | 702.033 |

- 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**

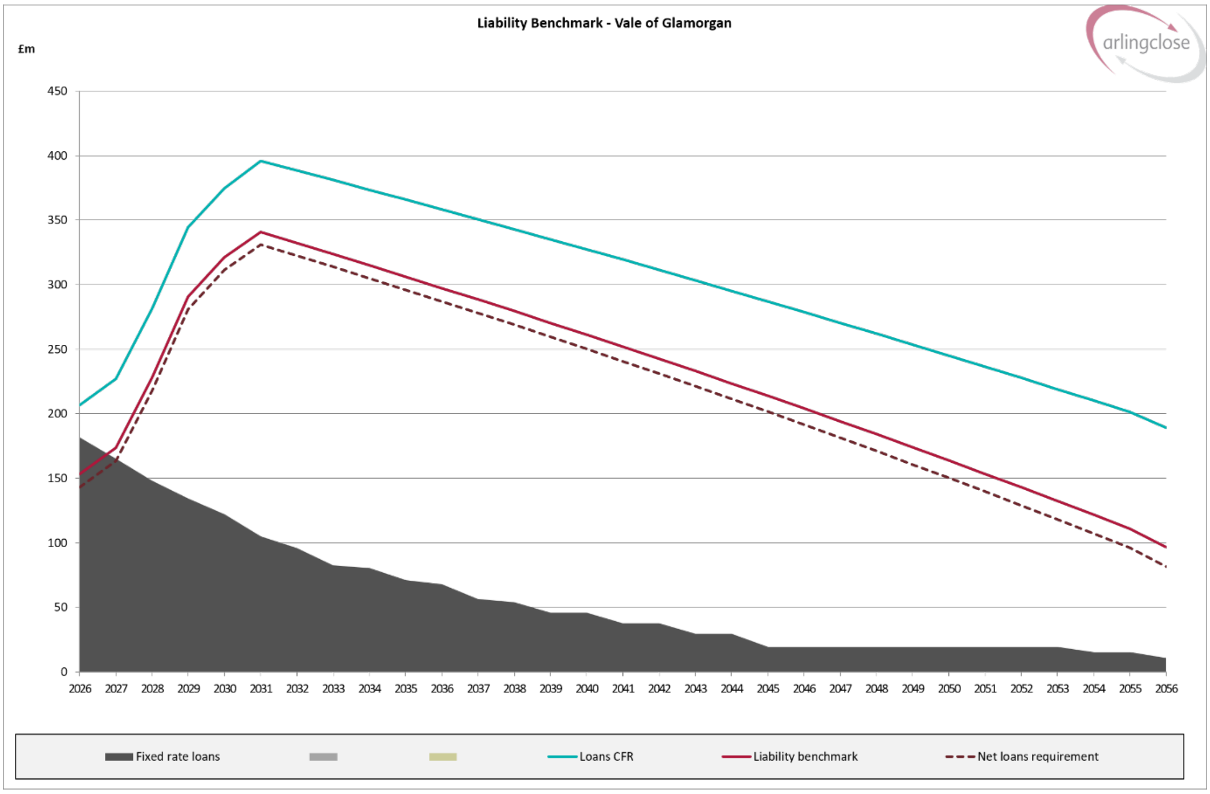



**Table 13 (Includes 5 Year Business Plan)**

| Year | Projected CFR | Projected External debt | Under/Over Borrowing |
|---|---|---|---|
| | £m | £m | £m |
| 2025/26 | 210.128 | 181.871 | 28.257 |
| 2026/27 | 237.711 | 164.870 | 72.841 |
| 2027/28 | 299.417 | 147.527 | 151.890 |
| 2028/29 | 366.936 | 134.295 | 232.641 |
| 2029/30 | 402.201 | 122.189 | 280.012 |
| 2030/31 | 424.429 | 105.095 | 319.334 |
| 2031/32 | 417.108 | 95.843 | 321.265 |

| | | | |
|---|---|---|---|
| 2032/33 | 409.720 | 82.753 | 326.967 |
| 2033/34 | 402.265 | 80.647 | 321.618 |
| 2034/35 | 394.743 | 70.536 | 324.207 |
| 2035/36 | 387.154 | 67.404 | 319.750 |
| 2036/37 | 379.498 | 55.932 | 323.566 |
| 2037/38 | 371.775 | 53.436 | 318.339 |
| 2038/39 | 363.985 | 45.355 | 318.630 |
| 2039/40 | 356.128 | 45.272 | 310.856 |
| 2040/41 | 348.204 | 37.187 | 311.017 |
| 2041/42 | 340.213 | 37.100 | 303.113 |
| 2042/43 | 332.155 | 29.010 | 303.145 |
| 2043/44 | 324.030 | 28.918 | 295.112 |
| 2044/45 | 315.838 | 18.824 | 297.014 |
| 2045/46 | 307.579 | 18.824 | 288.755 |
| 2046/47 | 299.253 | 18.824 | 280.429 |
| 2047/48 | 290.860 | 18.824 | 272.036 |
| 2048/49 | 282.400 | 18.824 | 263.576 |
| 2049/50 | 273.873 | 18.824 | 255.049 |
| 2050/51 | 265.279 | 18.824 | 246.455 |
| 2051/52 | 256.618 | 18.824 | 237.794 |
| 2052/53 | 247.890 | 18.824 | 229.066 |
| 2053/54 | 239.095 | 14.629 | 224.466 |
| 2054/55 | 230.233 | 14.629 | 215.604 |
| 2055/56 | 221.304 | 10.374 | 210.930 |

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 June 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 | 7.62 | 0 | 20 |
| 12 months and within 24 months | 9.72 | 0 | 40 |
| 24 months and within 5 years | 23.78 | 0 | 40 |
| 5 years and within 10 years | 20.77 | 0 | 40 |
| 10 years and above | 38.11 | 0 | 100 |

**Table 15 Maturity Profile**

| **Maturity Period** | **2026/27** | **2026/27** | **2026/27** |
|---|---|---|---|
| | **Limits** | **@ 30.06.26** | **@ 30.06.26** |
| | % | £M | % |
| Less than one year | 20 | 13.594 | 7.62 |
| Between one and two years | 40 | 17.343 | 9.72 |
| Between two and five years | 40 | 42.433 | 23.78 |
| Between five and ten years | 40 | 37.064 | 20.77 |
| Between ten and twenty years | 100 | 48.580 | 27.21 |
| Between twenty and thirty years | 100 | 4.195 | 2.35 |
| Between thirty and forty years | 100 | 9.255 | 5.19 |
| Between forty and fifty years | 100 | 6.000 | 3.36 |
| **Total** | | **178.464** | **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 June 2026 are set out below. The Bank Base Rate remained unchanged at 3.75% between April and June 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 Manageme nt Office | Lloyds Bank | CCLA Money Market Funds | Federated Money Market Funds |
|---|---|---|---|---|---|
| | % | % | % | % | % |
| **April 2026** | 4.83 | 3.72 | 3.51 | 3.76 | 3.83 |
| **May 2026** | 4.37 | 3.72 | 3.51 | 3.80 | 3.87 |
| **June 2026** | 4.33 | 3.72 | 3.51 | 3.83 | 3.90 |

# Quarter 1 Treasury Management Monitoring Report 2026/27

# Appendix B

# The UK Economy and Interest Rates 2026/2027

## 3.42

## Spread of PWLB Rates 2026/2027

## 1.4.2026 to 30.6.2026

| | 1 Year | 5 Year | 10 Year | 25 Year | 50 Year |
|---|---|---|---|---|---|
| **Low** | 4.95% | 5.24% | 5.70% | 6.29% | 6.09% |
| **Low Date** | 26/06/2026 | 01/05/2026 | 08/04/2026 | 08/04/2026 | 08/04/2026 |
| **High** | 5.37% | 5.69% | 6.18% | 6.77% | 6.55% |
| **High Date** | 30/04/2026 | 22/05/2026 | 18/05/2026 | 18/05/2026 | 18/05/2026 |
| **Average** | 5.12% | 5.43% | 5.91% | 6.51% | 6.31% |
| **Spread** | 0.42% | 0.45% | 0.48% | 0.48% | 0.46% |
| | | | | | |

**3.51**

**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 |

## Spread of Interest Rates 2026/27

## 1.4.2026 to 30.6.2026

| | Bank Rate | Sonia | 7 Day | 1 Month | 3 Months | 6 Months | 12 Months |
|---|---|---|---|---|---|---|---|
| **High** | 3.75% | 3.73% | 3.82% | 3.84% | 4.04% | 4.31% | 4.73% |
| **High Date** | 01/04/26 | 30/06/26 | 26/06/26 | 07/04/26 | 29/04/26 | 29/04/26 | 29/04/26 |
| **Low** | 3.75% | 3.72% | 3.76% | 3.80% | 3.92% | 4.09% | 4.33% |
| **Low Date** | 30/06/26 | 09/06/26 | 01/05/26 | 01/05/26 | 25/06/26 | 17/04/26 | 17/04/26 |
| **Average** | 3.75% | 3.73% | 3.79% | 3.82% | 3.99% | 4.19% | 4.52% |
| **Spread** | 0.00% | 0.005% | 0.05% | 0.04% | 0.12% | 0.22% | 0.39% |