

THE VALE OF GLAMORGAN COUNCIL

GOVERNANCE AND AUDIT COMMITTEE: 15<sup>TH</sup> SEPTEMBER, 2025

REFERENCE FROM CABINET: 4<sup>TH</sup> SEPTEMBER, 2025

**“C89                   QUARTER 1 TREASURY MANAGEMENT MONITORING 2025/26  
(EL/PR) (SCRUTINY – RESOURCES SCRUTINY COMMITTEE) –**

The Leader presented the Quarter 1 Treasury Management 2025/26 Monitoring Report.

The report detailed the changes in the Capital Programme since the last report which all fell within the limits for long-term treasury management investment strategy. Capital had financed new capital expenditure and maturing debt wherever possible from its own resources but reserves and balances were now depleted. Going forward the Council would be required to meet more of its capital requirements through external borrowing from the Public Works Loan Board, which had been discussed as part of the proposals for St Richard Gwyn and Ysgol Iolo schools as borrowing would be required in order to meet the costs.

Due to the high cost of borrowing currently, the Council was taking a prudent approach and borrowing on shorter term loans up to 5 years with an expectation that rates will fall during that period and the Council can then borrow at lower levels in the future. £6m external borrowing had been undertaken so far this financial year to fund capital expenditure at 0.2% below the standard rate.

Most of the Council's investments were placed with the UK Government (DMADF and Treasury Bills) or Local Authorities as they were considered to be safe with a reasonable to good return and protected base capital.

This was a matter for Executive decision.

Cabinet, having considered the report and all the issues and implications contained therein

RESOLVED –

- (1)     T H A T the Quarter One Monitoring report for Treasury Management 2025/26 be noted.
- (2)     T H A T the Quarter One Monitoring report for Treasury Management 2025/26 be referred to Governance and Audit Committee.

(3) T H A T use of the urgency procedure as set out at Section 15.14 of the Council's Constitution be agreed to allow the report to be considered by Governance and Audit Committee on 15th September, 2025.

Reasons for decisions

- (1) Having regard to the contents of the report and discussions at the meeting.
- (2) To inform Governance and Audit Committee of the position in respect of Treasury Management.
- (3) To allow the report to be considered at the next meeting of the Governance and Audit Committee.”

Attached as Appendix – Report to Cabinet: 4<sup>th</sup> September, 2025

| Meeting of:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <b>Cabinet</b>                                                                                         |                |                |  |           |  |    |                                |         |          |       |          |       |             |       |              |       |                   |                |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|----------------|----------------|--|-----------|--|----|--------------------------------|---------|----------|-------|----------|-------|-------------|-------|--------------|-------|-------------------|----------------|
| Date of Meeting:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <b>Thursday, 04 September 2025</b>                                                                     |                |                |  |           |  |    |                                |         |          |       |          |       |             |       |              |       |                   |                |
| Relevant Scrutiny Committee:                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Resources Scrutiny Committee                                                                           |                |                |  |           |  |    |                                |         |          |       |          |       |             |       |              |       |                   |                |
| Report Title:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Quarter 1 Treasury Management Monitoring 2025/26                                                       |                |                |  |           |  |    |                                |         |          |       |          |       |             |       |              |       |                   |                |
| Purpose of Report:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | To present to Cabinet the Quarter 1 Treasury Management 2025/26 Monitoring Report                      |                |                |  |           |  |    |                                |         |          |       |          |       |             |       |              |       |                   |                |
| Report Owner:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Executive Leader and Cabinet Member for Performance and Resources                                      |                |                |  |           |  |    |                                |         |          |       |          |       |             |       |              |       |                   |                |
| Responsible Officer:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Head of Finance / Section 151 Officer                                                                  |                |                |  |           |  |    |                                |         |          |       |          |       |             |       |              |       |                   |                |
| Elected Member and Officer Consultation:                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Head of Finance / Section 151 Officer                                                                  |                |                |  |           |  |    |                                |         |          |       |          |       |             |       |              |       |                   |                |
| Policy Framework:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | This is a matter for Executive decision by Cabinet and for referral to Full Council for final approval |                |                |  |           |  |    |                                |         |          |       |          |       |             |       |              |       |                   |                |
| <p>Executive Summary:</p> <ul style="list-style-type: none"> <li>• This report sets out the Treasury Management position against a number of key Treasury and Prudential Indicators as at 30th June 2025.</li> <li>• This marks the first quarterly monitoring report to incorporate leasing liabilities among the performance indicators, in compliance with IFRS 16.</li> <li>• The Council's debt portfolio as of 30th June 2025 was as follows:</li> </ul>                                           |                                                                                                        |                |                |  |           |  |    |                                |         |          |       |          |       |             |       |              |       |                   |                |
| <table border="1"> <thead> <tr> <th>Debt Portfolio</th><th>30th June 2025</th></tr> <tr> <th></th><th>Principal</th></tr> <tr> <th></th><th>£M</th></tr> </thead> <tbody> <tr> <td>Public Works Loan Board (PWLB)</td><td>167.952</td></tr> <tr> <td>LA Loans</td><td>2.000</td></tr> <tr> <td>WG Loans</td><td>1.050</td></tr> <tr> <td>Salix Loans</td><td>0.680</td></tr> <tr> <td>Market Loans</td><td>0.000</td></tr> <tr> <td><b>Total Debt</b></td><td><b>171.682</b></td></tr> </tbody> </table> |                                                                                                        | Debt Portfolio | 30th June 2025 |  | Principal |  | £M | Public Works Loan Board (PWLB) | 167.952 | LA Loans | 2.000 | WG Loans | 1.050 | Salix Loans | 0.680 | Market Loans | 0.000 | <b>Total Debt</b> | <b>171.682</b> |
| Debt Portfolio                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 30th June 2025                                                                                         |                |                |  |           |  |    |                                |         |          |       |          |       |             |       |              |       |                   |                |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Principal                                                                                              |                |                |  |           |  |    |                                |         |          |       |          |       |             |       |              |       |                   |                |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | £M                                                                                                     |                |                |  |           |  |    |                                |         |          |       |          |       |             |       |              |       |                   |                |
| Public Works Loan Board (PWLB)                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 167.952                                                                                                |                |                |  |           |  |    |                                |         |          |       |          |       |             |       |              |       |                   |                |
| LA Loans                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 2.000                                                                                                  |                |                |  |           |  |    |                                |         |          |       |          |       |             |       |              |       |                   |                |
| WG Loans                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 1.050                                                                                                  |                |                |  |           |  |    |                                |         |          |       |          |       |             |       |              |       |                   |                |
| Salix Loans                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 0.680                                                                                                  |                |                |  |           |  |    |                                |         |          |       |          |       |             |       |              |       |                   |                |
| Market Loans                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 0.000                                                                                                  |                |                |  |           |  |    |                                |         |          |       |          |       |             |       |              |       |                   |                |
| <b>Total Debt</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <b>171.682</b>                                                                                         |                |                |  |           |  |    |                                |         |          |       |          |       |             |       |              |       |                   |                |

- The Council held investments of £54.96M on 30th June 2025.
- The Council's investment portfolio as of 30th June 2025 was as follows:

| Investment Portfolio                                         | 30th June 2025 |
|--------------------------------------------------------------|----------------|
|                                                              | Principal      |
|                                                              | £M             |
| Debt Management Account Deposit Facility / Local Authorities | 34.450         |
| Money Market Fund                                            | 20.000         |
| Lloyds Instant Access Deposit Account                        | 0.510          |
| <b>Total Investments</b>                                     | <b>54.960</b>  |

## **Recommendations**

- 1.** That Cabinet notes the Quarter One Monitoring report for Treasury Management 2025/26.
- 2.** That the Quarter One Monitoring report for Treasury Management 2025/26 be referred to Governance and Audit Committee.
- 3.** That use of the urgency procedure as set out at Section 15.14 of the Council's Constitution be agreed to allow the report to be considered by Governance and Audit Committee on 15th September 2025.

## **Reasons for Recommendations**

- 1.** To inform Committee of the monitoring position for Treasury Management as at 30th June, 2025.
- 2.** To inform Governance and Audit Committee of the position in respect of Treasury Management.
- 3.** To allow the report to be considered at the next meeting of the Governance and Audit Committee.

## **1. Background**

- 1.1** This quarterly Treasury Management Monitoring Report covers the latest position in respect of Prudential and Treasury Indicators for Quarter 1 for the period 1st April 2025 to 30th June 2025.
- 1.2** CIPFA published revised codes of Practice on 20th December 2021 and 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.
- 1.3** 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. However, monitoring of prudential indicators, including forecast debt and investments, is not required to be taken to Full Council and should be reported as part of the Authority's integrated revenue, capital, and balance sheet monitoring. The other requirements of the changes to the code are detailed in the Legal section of this report.
- 1.4** The following table is 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.

- 1.5** 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.

Table 1 – Reporting Requirements

| Prudential Indicators                              | Treasury Indicators                                 |
|----------------------------------------------------|-----------------------------------------------------|
|                                                    |                                                     |
| Estimates of capital expenditure                   | Liability Benchmark                                 |
| Actual capital expenditure                         | Maturity Structure of borrowing                     |
| Estimates of CFR                                   | Limits for long-term treasury management investment |
| 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       |                                                     |

- 1.6** The Council's annual Treasury Management and Investment Strategy for 2025/26 was written in February 2025 and reported to Council on 10th March 2025.
- 1.7** With the UK economy experiencing a falling interest rate environment, investment returns have declined during the first quarter of the financial year, resulting in reduced income in the revenue budget. Interest rates are predicted to fall further during the financial year increasing pressure on investment returns which may lead to reduced income in future quarters. A full breakdown of these investments is detailed later in this report.
- 1.8** 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.

- 1.9** 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.
- 1.10** Throughout the first quarter of the financial year and in accordance with our 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. Although market interest rates are currently elevated, they are forecast to fall in the short-term. Consequently, the Council plans to align its borrowing strategy with anticipated lower interest rates by opting for short-term borrowing.
- 1.11** 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. Borrowing long term with fixed interest rates also provides certainty to the budget setting process.
- 1.12** The Section 151 Officer advises that all treasury management activity undertaken during the period to 30th June 2025 has complied with the approved strategy, the CIPFA Code of Practice, and the relevant legislative provisions. 2024/25 Actuals are based on the Council's Treasury Management Figures within the unaudited statement of accounts. The accounts are currently being audited by Audit Wales and are subject to change until the audit is complete.

## **2. Key Issues for Consideration**

### **Prudential Indicators**

#### **Capital Expenditure**

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

Table 2 – Capital Expenditure

| <b>Capital Expenditure</b>       | <b>Actual</b>    | <b>Estimate</b>  | <b>Estimate</b>  | <b>Estimate</b>  | <b>Estimate</b>  |
|----------------------------------|------------------|------------------|------------------|------------------|------------------|
|                                  | <b>2024/2025</b> | <b>2025/2026</b> | <b>2026/2027</b> | <b>2027/2028</b> | <b>2028/2029</b> |
|                                  | <b>£'000</b>     | <b>£'000</b>     | <b>£'000</b>     | <b>£'000</b>     | <b>£'000</b>     |
| Non-HRA                          | 42,521           | 95,239           | 61,989           | 33,854           | 24,153           |
| HRA                              | 26,707           | 32,406           | 40,774           | 61,795           | 49,203           |
| <b>Total Capital Expenditure</b> | <b>69,228</b>    | <b>127,645</b>   | <b>102,763</b>   | <b>95,649</b>    | <b>73,356</b>    |

Table 3 – Net Financing Need

| <b>Capital Expenditure</b>         | <b>2024/2025</b> | <b>2025/2026</b> | <b>2026/2027</b> | <b>2027/2028</b> | <b>2028/2029</b> |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|
|                                    | <b>Actual</b>    | <b>Estimate</b>  | <b>Estimate</b>  | <b>Estimate</b>  | <b>Estimate</b>  |
|                                    | <b>£'000</b>     | <b>£'000</b>     | <b>£'000</b>     | <b>£'000</b>     | <b>£'000</b>     |
| Existing programme Non HRA         | 73,599           | 76,246           | 57,228           | 32,614           | 23,558           |
| Existing programme HRA             | 38,745           | 30,460           | 40,774           | 61,795           | 49,203           |
| Movement 2024/25 Non HRA           | (34,798)         | 18,303           | 4,761            | 1,240            | 0,595            |
| Movement 2024/25 HRA               | (12,038)         | 1,946            | 0,000            | 0,000            | 0,000            |
| New finance leases & PFI           | 3,720            | 0,690            | 0,000            | 0,000            | 0,000            |
| <b>Total Capital Expenditure</b>   | <b>69,228</b>    | <b>127,645</b>   | <b>102,763</b>   | <b>95,649</b>    | <b>73,356</b>    |
| Financed by:                       |                  |                  |                  |                  |                  |
| Capital receipts                   | (0,641)          | (4,467)          | (2,509)          | (0,666)          | (0,511)          |
| GF Revenue/Reserve                 | (3,294)          | (10,401)         | (1,975)          | (1,017)          | (0,800)          |
| HRA Revenue/ Reserve               | (7,549)          | (7,037)          | (6,540)          | (7,516)          | (3,355)          |
| Grants and other contributions     | (42,904)         | (67,692)         | (51,434)         | (25,378)         | (18,627)         |
| S106                               | (4,137)          | (4,461)          | (2,350)          | (2,435)          | 0,000            |
| <b>Total financing</b>             | <b>(58,525)</b>  | <b>(94,058)</b>  | <b>(64,808)</b>  | <b>(37,012)</b>  | <b>(23,293)</b>  |
| <b>Net financing need for year</b> | <b>10,703</b>    | <b>33,587</b>    | <b>37,955</b>    | <b>58,637</b>    | <b>50,063</b>    |

## Capital Financing Requirement

**2.2** 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.

Table 4 - Capital Financing Requirement

|                                 | 2024/25        | 2025/26        | 2026/27        | 2027/28        | 2028/29        |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|
|                                 | Actual         | Estimate       | Estimate       | Estimate       | Estimate       |
|                                 | £'000          | £'000          | £'000          | £'000          | £'000          |
| <b>Non-HRA</b>                  | 117,100        | 127,972        | 133,405        | 139,277        | 144,934        |
| Leasing                         | 2,922          | 2,705          | 2,264          | 1,861          | 1,498          |
| <b>HRA</b>                      | 82,135         | 98,144         | 124,064        | 169,563        | 205,664        |
| <b>Total CFR</b>                | <b>202,157</b> | <b>228,821</b> | <b>259,733</b> | <b>310,701</b> | <b>352,096</b> |
| Net financing need for the year | 10,703         | 33,587         | 37,955         | 58,637         | 50,063         |
| MRP/ LFR & VRP                  | (7,339)        | (6,926)        | (7,042)        | (7,669)        | (8,670)        |
| <b>Movement in CFR</b>          | <b>3,364</b>   | <b>26,661</b>  | <b>30,913</b>  | <b>50,968</b>  | <b>41,393</b>  |

Table 5 - Non-HRA Capital Financing Requirement

|                               | 2024/25        | 2025/26        | 2026/27        | 2027/28        | 2028/29        |
|-------------------------------|----------------|----------------|----------------|----------------|----------------|
|                               | Actual         | Estimate       | Estimate       | Estimate       | Estimate       |
|                               | £'000          | £'000          | £'000          | £'000          | £'000          |
| Opening CFR                   | 118,465        | 120,021        | 130,677        | 135,670        | 141,139        |
| Leasing Adjustment            | 3,465          | 0,000          | 0,000          | 0,000          | 0,000          |
| <b>Total Opening CFR</b>      | <b>121,930</b> | <b>120,021</b> | <b>130,677</b> | <b>135,670</b> | <b>141,139</b> |
| Capital Expenditure           | 38,801         | 94,549         | 61,989         | 33,854         | 24,153         |
| Capital Expenditure (Leasing) | 0,255          | 0,690          | 0,000          | 0,000          | 0,000          |
| Resources used                | (35,355)       | (79,469)       | (52,099)       | (23,426)       | (13,868)       |
| MRP/ LFR & VRP*               | (5,610)        | (5,114)        | (4,897)        | (4,959)        | (4,993)        |
| <b>Closing CFR</b>            | <b>120,021</b> | <b>130,677</b> | <b>135,670</b> | <b>141,139</b> | <b>146,431</b> |

Table 6 - HRA Capital Financing Requirement

|                             | 2024/25       | 2025/26       | 2026/27        | 2027/28        | 2028/29        |
|-----------------------------|---------------|---------------|----------------|----------------|----------------|
|                             | Actual        | Estimate      | Estimate       | Estimate       | Estimate       |
|                             | £'000         | £'000         | £'000          | £'000          | £'000          |
| Opening CFR                 | 80,327        | 82,135        | 98,144         | 124,064        | 169,563        |
| Capital Expenditure         | 26,707        | 32,406        | 40,774         | 61,795         | 49,203         |
| Resources used              | (23,170)      | (14,589)      | (12,709)       | (13,586)       | (9,425)        |
| MRP/ LFR & VRP              | (1,729)       | (1,808)       | (2,145)        | (2,710)        | (3,677)        |
| <b>Adjusted closing CFR</b> | <b>82,135</b> | <b>98,144</b> | <b>124,064</b> | <b>169,563</b> | <b>205,664</b> |

(\*VRP – Voluntary Revenue Provision, LFR - Loans Fund Repayment)

## Authorised Limit

- 2.3** This indicator represents a control on the maximum level of external debt the Council can incur. The Authorised Limit is a statutory limit determined under Section 3(1) of the Local Government Act 2003 for English and Welsh Authorities. The Authority has no legal power to borrow more than the limits set. Revision of this Indicator would need to be approved by Full Council in advance of any external debt taken on in excess of the limit then in force.
- 2.4** 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.
- 2.5** 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.
- 2.6** 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.
- 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.

Table 7 - Authorised Limit

|                               | <b>2024/25<br/>Actual<br/>£'000</b> | <b>2025/26<br/>Estimate<br/>£'000</b> | <b>2026/27<br/>Estimate<br/>£'000</b> | <b>2027/28<br/>Estimate<br/>£'000</b> | <b>2028/29<br/>Estimate<br/>£'000</b> |
|-------------------------------|-------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| Borrowing                     | 255,394                             | 286,207                               | 321,078                               | 371,753                               | 404,198                               |
| Other long term liabilities   | 10,000                              | 10,000                                | 10,000                                | 10,000                                | 10,000                                |
| <b>Total Authorised Limit</b> | <b>265,394</b>                      | <b>296,207</b>                        | <b>331,078</b>                        | <b>381,753</b>                        | <b>414,198</b>                        |

## Operational Boundary and Actual Debt Indicators

- 2.7** 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 8 - Operational Boundary

|                                   | 2024/25        | 2025/26        | 2026/27        | 2027/28        | 2028/29        |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|
|                                   | Actual         | Estimate       | Estimate       | Estimate       | Estimate       |
|                                   | £'000          | £'000          | £'000          | £'000          | £'000          |
| Borrowing                         | 239,655        | 260,831        | 295,167        | 345,425        | 377,585        |
| Other long term liabilities       | 4,515          | 3,083          | 2,510          | 1,982          | 2,000          |
| <b>Total Operational Boundary</b> | <b>244,170</b> | <b>263,914</b> | <b>297,677</b> | <b>347,407</b> | <b>379,585</b> |

## External debt

- 2.8** 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 9 - Actual External Debt as at 31st March 2025

|                             | Actual         |
|-----------------------------|----------------|
|                             | £'000          |
| Borrowing                   | 169,851        |
| Other long term liabilities | 2,922          |
| <b>Total External Debt</b>  | <b>172,773</b> |

Table 10 - Actual External Debt as at 30th June 2025

|                             | Actual         |
|-----------------------------|----------------|
|                             | £'000          |
| Borrowing                   | 171,682        |
| Other long term liabilities | 3,001          |
| <b>Total External Debt</b>  | <b>174,683</b> |

## Gross Debt and the Capital Financing Requirement

- 2.9** An Authority should only borrow to support a capital purpose, and borrowing should not be undertaken for revenue or speculative purposes.
- 2.10** To ensure that over the medium-term debt will only be for a capital purpose the Council should ensure that debt does not, except 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.

Table 11 - Gross Debt &amp; CFR

|                               | 2024/25       | 2025/26       | 2026/27       | 2027/28       | 2028/29      |
|-------------------------------|---------------|---------------|---------------|---------------|--------------|
|                               | Actual        | Estimate      | Estimate      | Estimate      | Estimate     |
|                               | £'000         | £'000         | £'000         | £'000         | £'000        |
| CFR                           | 202,157       | 228,821       | 259,733       | 310,701       | 352,096      |
| Gross borrowing               | 169,851       | 211,297       | 245,728       | 297,942       | 345,634      |
| Other Long Term Liabilities   | 2,922         | 2,704         | 2,264         | 1,861         | 1,497        |
| <b>Under/(over) borrowing</b> | <b>29,384</b> | <b>14,820</b> | <b>11,741</b> | <b>10,898</b> | <b>4,965</b> |

Table 12- External Debt

|                                               | 2024/25        | 2025/26        | 2026/27        | 2027/28        | 2028/29        |
|-----------------------------------------------|----------------|----------------|----------------|----------------|----------------|
|                                               | Actual         | Estimate       | Estimate       | Estimate       | Estimate       |
|                                               | £'000          | £'000          | £'000          | £'000          | £'000          |
| Loans at start of year                        | 143,312        | 169,851        | 211,296        | 245,727        | 297,941        |
| Lease/PFI liabilities at start of year        | 3,465          | 2,922          | 2,704          | 2,263          | 1,860          |
| <b>Total gross borrowing at start of year</b> | <b>146,777</b> | <b>172,773</b> | <b>214,000</b> | <b>247,990</b> | <b>299,801</b> |
| New borrowing for capital spends              | 38,000         | 32,897         | 37,953         | 58,637         | 50,063         |
| New borrowing for maturing debt               | 0,000          | 17,000         | 9,000          | 8,000          | 12,000         |
| New lease/PFI liabilities                     | 0,255          | 0,690          | 0,000          | 0,000          | 0,000          |
| Loan repayments                               | (11,461)       | (8,452)        | (12,522)       | (14,423)       | (14,370)       |
| Lease & PFI repayments                        | (0,799)        | (0,908)        | (0,441)        | (0,403)        | (0,364)        |
|                                               |                |                |                |                |                |
| Loans at end of year                          | 169,851        | 211,296        | 245,727        | 297,941        | 345,634        |
| Lease/PFI liabilities at end of year          | 2,922          | 2,704          | 2,263          | 1,860          | 1,496          |
| <b>Total gross borrowing at end of year</b>   | <b>172,773</b> | <b>214,000</b> | <b>247,990</b> | <b>299,801</b> | <b>347,130</b> |

## Ratio of Financing Costs to Net Revenue Stream

- 2.11** 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.
- 2.12** 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, however this target was not set as part of the 2025/26 Treasury Management Strategy and

will need to be reviewed as part of the Hosing Improvement Programme setting for 2026/27.

Table 13 - Ratio of Financing Costs to Net Revenue Stream

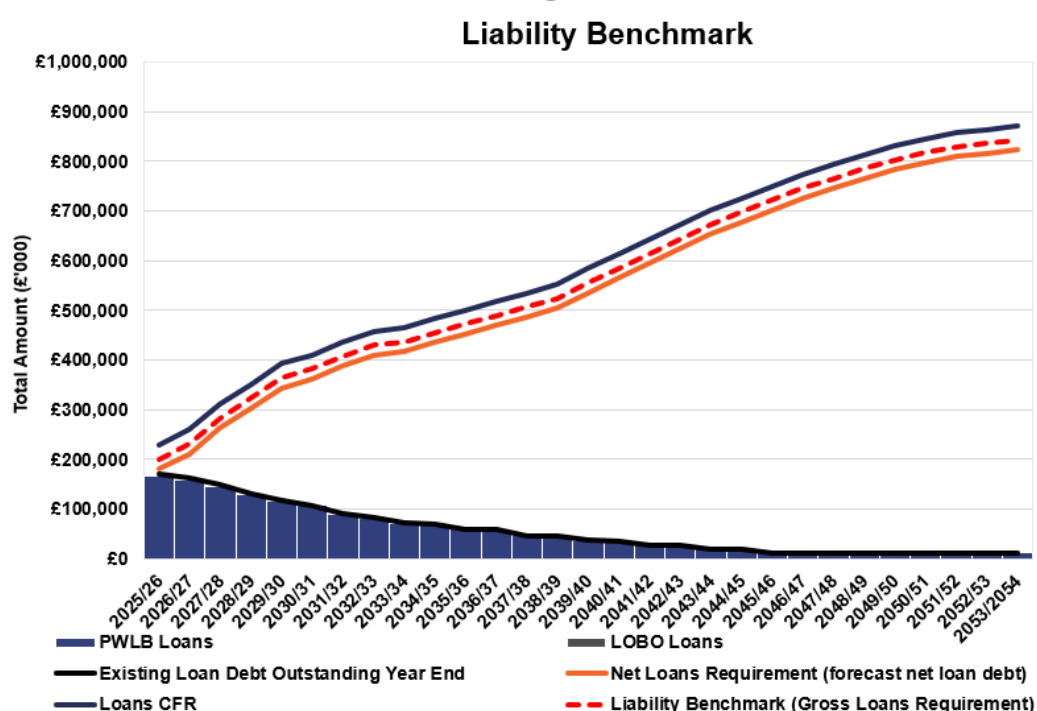
|                | Actual  | Estimate as per Strategy | Revised Estimate | Estimate | Estimate | Estimate |
|----------------|---------|--------------------------|------------------|----------|----------|----------|
|                | 2024/25 | 2025/26                  | 2025/26          | 2026/27  | 2027/28  | 2028/29  |
|                | %       | %                        | %                | %        | %        | %        |
| Non-HRA        | 2.69    | 2.93                     | 2.96             | 2.90     | 2.87     | 2.84     |
| Target Non HRA | 5       | 5                        | 5                | 5        | 5        | 5        |
| HRA            | 19.27   | 24.21                    | 20.90            | 26.77    | 33.48    | 42.22    |
| Target HRA     | 40      | 40                       | 40               | 40       | 40       | 40       |

## Treasury Indicators

### Liability Benchmark

- 2.13** 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.
- 2.14** 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.
- 2.15** 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 any other major cash flow forecast)
  - Liability Benchmark (net loans requirement plus short-term liquidity allowance).

Chart 1 – Liability Benchmark



- 2.16** The chart above illustrates the 30 year projection of the Authority's Liability Benchmark. For illustration, the assumption here is that no new external borrowing is undertaken during this period under review which would not be the case. The chart shows that external borrowing (the shaded area) falls below the LB (the dotted line). For as long as usable reserve balances are available the Council will maintain an under borrowed position, i.e., 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 continue 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.
- 2.17** The Council currently holds significant investments, but these are expected to reduce as reserves are spent. The Council will maintain a £30M investment buffer 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.

## Borrowing and Investment

### Maturity Structure of Borrowing

- 2.18** 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.

**2.19** 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

**2.20** As of 30th June 2025, the maturity breakdown of the Council's borrowing is set out in Table 13.

Table 14 - Maturity structure of borrowing

|                                | Actual | Lower Limit | Upper Limit |
|--------------------------------|--------|-------------|-------------|
| %                              | %      | %           | %           |
| Under 12 months                | 4.33   | 0           | 20          |
| 12 months and within 24 months | 7.22   | 0           | 40          |
| 24 months and within 5 years   | 20.58  | 0           | 40          |
| 5 years and within 10 years    | 27.46  | 0           | 40          |
| 10 years and above             | 40.41  | 0           | 100         |

## Limits for Long Term Treasury Management Investments

**2.21** 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.

**2.22** 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 15 - Limits for Long Term Treasury Management Investments

|                                | 2024/25 | 2025/26  | 2026/27  | 2027/28  | 2028/29  |
|--------------------------------|---------|----------|----------|----------|----------|
|                                | Actual  | Estimate | Estimate | Estimate | Estimate |
|                                | £M      | £M       | £M       | £M       | £M       |
| Limit for investments > a year | 0       | 10       | 10       | 10       | 10       |

## Borrowing Strategy

**2.23** The following table sets out the monies externally borrowed / repaid during the period. The Council has undertaken £6.000M external borrowing so far this financial year. Maturing debt has been repaid at an average rate of 4.84% and new debt acquired has been borrowed at a rate of 4.56%.

Table 16 - Loan Type

|                         | Opening<br>Balance | Received     | Repaid         | Closing<br>Balance |
|-------------------------|--------------------|--------------|----------------|--------------------|
|                         | 01/04/2025         |              |                | 30/06/2025         |
|                         | £M                 | £M           | £M             | £M                 |
| Public Works Loan Board | 165.952            | 6.000        | (4.000)        | 167.952            |
| LA Loans                | 2.000              | 0.000        | 0.000          | 2.000              |
| Salix Loans             | 0.849              | 0.000        | (0.169)        | 0.680              |
| Welsh Government Loans  | 1.050              | 0.000        | 0.000          | 1.050              |
| <b>Total</b>            | <b>169.851</b>     | <b>6.000</b> | <b>(4.169)</b> | <b>171.682</b>     |

## Investment Strategy

- 2.24** The Council has made the following investments for the period 1st April 2025 to 30th June, 2025 as set out below.

Table 17 - Loan Type

|                         | Opening<br>Balance | Received       | Repaid           | Closing<br>Balance |
|-------------------------|--------------------|----------------|------------------|--------------------|
|                         | 01/04/2025         |                |                  | 30/06/2025         |
|                         | £M                 | £M             | £M               | £M                 |
| UK Local Authorities    | 2.0                | 13.000         | 0.000            | 15.000             |
| Debt Management Office  | 5.625              | 282.605        | (268.780)        | 19.450             |
| Treasury Bill           | 0.000              | 0.000          | 0.000            | 0.000              |
| Lloyds Deposit Accounts | 0.365              | 7.765          | (7.620)          | 0.510              |
| Money Market Funds      | 9.200              | 10.800         | 0.000            | 20.000             |
| <b>Total</b>            | <b>17.190</b>      | <b>314.170</b> | <b>(276.400)</b> | <b>54.960</b>      |

- 2.25** The Council has primarily invested its funds in Local Authorities and the Debt Management Office, as these investments are considered low risk. Additionally, deposits have been made into Money Market Funds to ensure high liquidity, allowing funds to be accessed immediately when needed. The Lloyds call account is also utilised for managing surplus balances arising from unexpected cashflow fluctuations.
- 2.26** The averagely monthly yields on these investments are set out below. The decrease in the Bank of England base rate to 4.25% in May 2025 is reflected in the returns from the Council's investments.

Table 17 - Average Monthly Interest

|            | Local Authorities | Debt Management Office | Lloyds | Money Market Funds |
|------------|-------------------|------------------------|--------|--------------------|
| April 2025 | 4.65%             | 4.44%                  | 4.34%  | 4.47%              |
| May 2025   | 4.31%             | 4.26%                  | 4.13%  | 4.35%              |
| June 2025  | 4.26%             | 4.21%                  | 4.04%  | 4.29%              |

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

### **3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?**

- 3.1** 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.
- 3.2** 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.

### **4. Climate Change and Nature Implications**

- 4.1** Councils and the UK Government are widely implemented on policy on the response the Climate change.
- 4.2** Money Market Funds selected by the Council regularly monitor the environmental, social and governance (ESG) risk management activities with whom they invest.

### **5. Resources and Legal Considerations**

#### **Financial**

- 5.1** Money is borrowed for capital purposes and interest is charged to revenue accounts.
- 5.2** The Council is required to consider the ESG position of its investments as part of its Treasury Management Strategy.
- 5.3** Most of the Council's investments are placed with the UK Government (DMADF and Treasury Bills) or Local Authorities. As the majority of these counterparties have declared a climate and nature emergency, the Council are accepting that they are following ESG principles and therefore will continue to place investments with them. Should the Council become aware of any Local Authority

that goes against these principles the Council will raise the matter at Cabinet so Members can consider whether the Council should continue to use that counterparty for investment purposes.

- 5.4** Investments are held with Money Market Fund CCLA believe that investment markets and in turn, investment returns will only be as healthy as the environment and communities that support them. We therefore focus on some of the world's most pressing challenges to build a future that can continue to support sustainable returns for our clients, and outcomes for our planet. CCLA has a long track record of investing responsibly to deliver positive change in company practice and performance, and of pushing for progress to meet the world's sustainability challenges. CCLA aim to be a catalyst for change in the investment industry and to invest responsibly for their clients, and for the planet.
- 5.5** Investments are held with Money Market Fund through Federated Hermes they consider that they take a pragmatic view of the investment universe to identify stocks with the most attractive combinations of fundamental characteristics. They look for companies with sustainable business models and competitive advantages. In addition, it is important that companies behave responsibly, which leads us to companies that are well governed and treat their responsibilities to society and the environment seriously. At Federated Hermes they consider that companies less exposed to ESG risks will outperform over the long term and that companies improving their ESG profiles can unlock significant shareholder value. Their investment philosophy can be encapsulated in three words: Pragmatism, Sustainability and Responsibility.

### **Employment**

- 5.6** There are no direct employment issues relating to this report.

### **Legal (Including Equalities)**

- 5.7** Compliance with the Local Government Act 2003 and CIPFA's "Code of Practice for Treasury Management in the Public Services" is mandatory.
- 5.8** CIPFA published revised codes of Practice on 20th December 2021 and has stated that formal adoption is required for financial year 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.
- 5.9** The revised Treasury Management Code requires an authority to implement the following:
- Adopt a new liability benchmark treasury indicator to support the financing risk management of the capital financing requirement. This is shown in chart form for a minimum of ten years, with material differences between the liability benchmark and actual loans to be explained.
  - Class Long-term treasury investments, (including pooled funds) as commercial investments unless justified by a cash flow business case.

- Include Pooled funds in the indicator for principal sums maturing in years beyond the initial budget year.
- Amend the knowledge and skills register for officers and Members involved in the treasury management function so that it is proportionate to the size and complexity of the treasury management conducted by the Authority.
- Prepare quarterly reporting to Members. 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 HOF is expected to establish a measurement and reporting process that highlights significant actual or forecast deviations from the approved indicators. However, monitoring of prudential indicators, including forecast debt and investments, is not required to be taken to Full Council and should be reported as part of the Authority's integrated revenue, capital, and balance sheet monitoring.
- Address Environmental, social and governance (ESG) issues within the Authority's treasury management policies and practices.
- Confirm a requirement for Local Authorities to produce an annual Capital Strategy.

## **6. Background Papers**

CIPFA's Code of Practice for Treasury Management in the Public Services" (2017 Edition), "The Prudential Code" (2017 Edition) and Welsh Government guidance on Local Authority investments.