

THE VALE OF GLAMORGAN COUNCIL

GOVERNANCE AND AUDIT COMMITTEE: 15TH DECEMBER, 2025

REFERENCE FROM CABINET: 20TH NOVEMBER, 2025

**“C143 TREASURY MANAGEMENT MID-YEAR REPORT 2025/26 (EL/PR)
(SCRUTINY – RESOURCES SCRUTINY COMMITTEE) –**

The Leader presented the report to provide a mid-year report on the Authority's Treasury Management operations for the period 1st April 2025 to 30th September 2025.

Investments made were prudent and considered to be safe rather than looking for higher interest rates with more potential risk. The report would be referred to Full Council and Governance and Audit Committee for consideration.

This was a matter for Executive decision and referral to Full Council for approval.

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

RESOLVED –

(1) T H A T the Treasury Management mid-year report for the period 1st April 2025 to 30th September 2025 be approved and the same referred to Full Council on 1st December 2025, for consideration.

(2) T H A T the latest Treasury Management indicators as set out in Appendix 1 be approved and referred to Full Council on 1st December 2025, for consideration.

(3) T H A T, notwithstanding Resolutions (1) and (2), the report also be forwarded to the next Governance and Audit Committee for consideration and discussion.

Reasons for decisions

(1) To present the Treasury Management mid-year report as required by the CIPFA Treasury Management in the Public Services: Code of Practice.

(2) To present an update of the Treasury Management indicators which were included in the Treasury Management Strategy.

(3) To present the report to the Governance and Audit Committee in accordance with the remit of the Committee.”

Attached as Appendix: Report to Cabinet: 20th November, 2025

Meeting of:	Cabinet
Date of Meeting:	Thursday, 20 November 2025
Relevant Scrutiny Committee:	Resources Scrutiny Committee
Report Title:	Treasury Management Mid-Year Report 2025/26
Purpose of Report:	To provide a mid-year report on the Authority's Treasury Management operations for the period 1st April 2025 to 30th September 2025
Report Owner:	Executive Leader and Cabinet Member for Performance and Resources
Responsible Officer:	Head of Finance/Section 151 Officer
Elected Member and Officer Consultation:	None
Policy Framework:	This is a matter for Executive decision by Cabinet and for referral to Full Council for Approval
<p>Executive Summary:</p> <ul style="list-style-type: none"> This interim report provides an update on the Authority's Treasury Management operations for the period 1st April to 30th September 2025. All activities were in accordance with the Authority's approved strategy on Treasury Management. Total external borrowing as of 30th September 2025 was £170.696M at an average rate of 4.34%. External borrowing undertaken during the first 6 months of 2025/26 was £6M at an average rate of 4.56%. Further funding of £1.000 million was received from the Welsh Government in respect of a Transforming Towns loan. The Council invested with the Debt Management Deposit Facility, Local Authorities and Money Market Funds together with a Lloyds Bank Call Account. Total investments as of 30th September 2025 stood at £51.775M at an average rate of 4.22% over the six-month period. This report contains a review of the UK economy together with forecasts for interest rates for the period April 2025 to September 2025. The Authority must ensure compliance with the Prudential Code, which has been developed and written by CIPFA as a professional code of practice. To demonstrate the Authority has met the necessary requirements, the Code sets out prudential indicators that should be implemented and 	

the factors that must be considered. The Council fully complied with these prudential indicators during the first six months of 2025/26.

- The Council's latest Prudential and Treasury Indicators are set out in Appendix 1.
- It is anticipated that based on the quarter 2 projection, new loans will be raised to finance the Capital Programme for 2025/26 totalling £20.391M of which £17.014M is prudential and £3.377M supported borrowing. The projection for IFRS16 new advances in 2025/26 is £0.690M. As the costs of borrowing funds on the market remain elevated at present external borrowing will be kept at a minimum and internal borrowing from the Council's balances to a maximum. However, most of the Council's reserves and balances have now been utilised and the Council is now required to fund a large proportion of the 2025/26 capital expenditure from external sources.
- Advice on any external borrowing will be sought from the Council's Treasury Management advisers.
- During the period under review the Council went out to tender for the provision of its treasury consultant services and Arlingclose Ltd have been appointed as the Council's Treasury Management Advisors with effect from 1st October 2025, replacing MUFG Corporate Markets.
- The Council has maturing Public Works Loan Board (PWLB) and other maturing debt totalling £8.478M during 2025/26. Due to the prevailing higher interest rates, no decision to refinance has been made to date.
- This mid-year monitoring report is the first to incorporate leasing liabilities among the performance indicators, in compliance with the International Financial Reporting Standard (IFRS) 16.

Recommendations

1. That Cabinet approves the Treasury Management mid-year report for the period 1st April 2025 to 30th September 2025 and refers the same to Full Council on 1st December 2025, for consideration.
2. That the latest Treasury Management indicators as set out in Appendix 1 be approved and referred to Full Council on 1st December 2025, for consideration.
3. That, notwithstanding recommendations 1 and 2, the report also be forwarded to the next Governance and Audit Scrutiny Committee for consideration and discussion.

Reasons for Recommendations

1. To present the Treasury Management mid-year report as required by the CIPFA Treasury Management in the Public Services: Code of Practice.
2. To present an update of the Treasury Management indicators which are included in the Treasury Management Strategy.
3. To present this report to the Governance and Audit Committee in accordance with the remit of the Committee.

1. Background

Capital Strategy

- 1.1 In December 2021, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes which require all Local Authorities to prepare a capital strategy which is to provide the following:
 - A high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services.
 - An overview of how the associated risk is managed, and
 - The implications for future financial sustainability.
- 1.2 The final Capital Strategy 2025/26 and Final Capital Programme Proposals 2025/26 to 2029/30 were taken to Council on 10th March 2025. The draft capital strategy 2026/27 and the initial Capital Programme proposals 2026/27 to 2030/31 will be taken to Cabinet on 4th December 2025.
- 1.3 The progress and revisions to the Capital Programme are reported as part of the regular capital monitoring reports to Cabinet and the most recent Capital Monitoring for Quarter 2 is included on the agenda for Cabinet for 20th November 2025 alongside this report.

Treasury Management

- 1.4** The 2021 revised code of practice requires the Council to report the treasury management prudential indicators quarterly. The treasury prudential indicators are incorporated in the Authority's normal quarterly report and located in Appendix 1 to this report.
- 1.5** The Authority's treasury management strategy for 2025/26 was approved at a Council meeting on 10th March 2025. The Authority has borrowed and invested substantial sums of money. The successful identification, monitoring and control of risk remains central to the Authority's Treasury Management Strategy.
- 1.6** The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in risk adverse counterparties, providing adequate liquidity initially before considering optimising investment return.
- 1.7** The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer-term cash may involve arranging long or short-term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 1.8** Accordingly, treasury management is defined as:
"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

2. Key Issues for Consideration

- 2.1** This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2021).
- 2.2** The primary requirements of the Code are as follows:
 - Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
 - Creation and maintenance of Treasury Management Practices which set out the way the Council will seek to achieve those policies and objectives.
 - Receipt by the full Council of an annual Treasury Management Strategy Statement including the Annual Investment Strategy and Minimum Revenue Provision Policy for the year ahead, a Mid-year Review Report and an Annual Report, (stewardship report), covering activities during the previous year.

- Quarterly reports are also required for the periods ending April to June and October to December but may be assigned to a designated committee or panel as deemed appropriate to meet the Treasury Management governance and scrutiny aspects of the Council.
- Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
- Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Resources Scrutiny Committee.

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

- An economic update for the first half of the 2025/26 financial year.
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy for 2025/26.
- A review of the Council's capital expenditure and prudential indicators.
- A review of the Council's investment portfolio for 2025/26.
- A review of the Council's borrowing strategy for 2025/26.
- A review of any debt rescheduling undertaken during 2025/26 and
- A review of compliance with Treasury and Prudential Limits for 2025/26.

Economics and Interest Rates

UK Economic Review and Update as of 30th September 2025

Economic Background

- 2.4** The first quarter April 2025 to June 2025 was dominated by the fallout from the US trade tariffs and their impact on equity and bond markets. The second quarter July 2025 to September 2025, still rife with uncertainty, saw equity markets making gains and a divergence in US and UK government bond yields, which had been moving relatively closer together.
- 2.5** From late June 2025, amid a UK backdrop of economic uncertainty, concerns around the Government's fiscal position and speculation around the Autumn Budget 2025, yields on medium and longer term gilts pushed higher, including the 30-year which hit its highest level for almost 30 years.
- 2.6** UK headline annual consumer price inflation (CPI) increased over the period, rising from 2.6% in March 2025 to 3.8% in September 2025, still well above the Bank of England's 2% target rate. Core inflation which excludes volatile elements such as fuel and energy in the calculation also rose, from 3.4% to 3.6% over the same period, albeit the August 2025 reading was down from 3.8% the previous month. Services inflation also fell from July to August 2025, to 4.7% from 5.0%.
- 2.7** The UK economy expanded by 0.7% in the first quarter of the calendar year 2025 and by 0.3% in the second quarter 2025. In the final version of the quarter 2 2025

Gross Domestic Product (GDP) report, annual growth was revised upwards to 1.4% year on year. However, monthly figures showed zero growth in July, in line with expectations, indicating a sluggish start to quarter 3 2025.

- 2.8** Labour market data continued to soften throughout the period, with the unemployment rate rising and earnings growth easing, but probably not to an extent that would make the more aggressive Monetary Policy Committee members comfortable with further rate cuts. In addition, the employment rate rose while the economic inactivity rate and number of vacancies fell.
- 2.9** The Bank of England's (BOE) Monetary Policy Committee (MPC) cut Bank Rate from 4.5% to 4.25% in May 2025 and to 4.0% in August 2025 after an unprecedented second round of voting. The final 5-4 vote was for a 25 basis point cut, with the minority wanting no change. In September 2025, seven Monetary Policy Committee members voted to hold rates while two preferred a 25 basis point cut. The Committee's views still differ on whether the upside risks from inflation expectations and wage setting outweigh downside risks from weaker demand and growth.
- 2.10** The August 2025 BOE Policy Report highlighted that after peaking in quarter 3 2025, inflation is projected to fall back to target by mid-2027, helped by increasing spare capacity in the economy and the ongoing effects from past tighter policy rates. GDP is expected to remain weak in the near term while over the medium term outlook will be influenced by domestic and global developments.
- 2.11** Arlingclose, the Authority's treasury adviser, maintained its central view that the Bank Rate would be cut further as the BoE focused on weak GDP growth more than higher inflation. One more cut is currently expected during 2025/26, taking Bank Rate to 3.75%. The risks to the forecast are balanced in the near-term but weighted to the downside in the longer term as weak consumer sentiment, business confidence and investment continue to constrain growth. There is also considerable uncertainty around the Autumn Budget in November 2025 and the impact this will have on the outlook.
- 2.12** Against a backdrop of uncertain United States trade policy and pressure from the US Government, the US Federal Reserve held interest rates steady for most of the period, before cutting the Fed Funds Rate to 4.00% to 4.25% in September 2025. Federal Government policymakers also published their new economic projections at the same time. These pointed to a 0.50% lower Fed Funds Rate by the end of 2025 and 0.25% lower in 2026, alongside GDP growth of 1.6% in 2025, inflation of 3%, and an unemployment rate of 4.5%.
- 2.13** The European Central Bank (ECB) cut rates in June 2025, reducing its main refinancing rate from 2.25% to 2.0%, before keeping it on hold through to the end of the period, September 2025. New ECB projections predicted inflation averaging 2.1% in 2025, before falling below target in 2026, alongside improving GDP growth, for which the risks are deemed more balanced and the disinflationary process over.

Financial Markets

- 2.14** After the sharp declines seen early in the period under review, sentiment in financial markets improved, but risky assets have generally remained volatile. Early in the period bond yields fell, but ongoing uncertainty, particularly in the UK, has seen medium and longer yields rise with bond investors requiring an increasingly higher return against the perceived elevated risk of the UK. Since the sell off in April 2025, equity markets have gained back the previous declines, with investors continuing to remain upbeat in the face of ongoing uncertainty.
- 2.15** Over the period April to September 2025, the 10-year UK benchmark gilt yield started at 4.65% and ended at 4.70%. However, these six months saw significant volatility with the 10 year yield hitting a low of 4.45% and a high of 4.82%. It was a broadly similar picture for the 20 year gilt which started at 5.18% and ended at 5.39% with a low and high of 5.10% and 5.55% respectively. The Sterling Overnight Rate (SONIA) averaged 4.19% over the six months to 30th September 2025.

Interest Rate Forecasts

- 2.16** The Council has from 1st October 2025 appointed Arlingclose as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 basis points, calculated as gilts plus 80 basis points) which has been accessible to most Local Authorities since 1st November 2012.

Table 1 – Market Rate Forecasts

	Dec 2025	Mar 2026	Jun 2026	Sep 2026	Dec 2026	Mar 2027	Jun 2027	Sept 2027	Dec 2027	Mar 2028
Bank Rate	4.00	3.75	3.75	3.50	3.50	3.50	3.50	3.25	3.25	3.25
SONIA Rate	3.88	3.67	3.47	3.37	3.40	3.28	3.33	3.34	3.42	3.45
5yr PWLB	4.76	4.80	4.85	4.89	4.90	4.91	4.96	5.05	5.14	5.22
10yr PWLB	5.32	5.36	5.42	5.47	5.54	5.59	5.64	5.69	5.75	5.81
20yr PWLB	5.89	5.92	5.96	5.99	6.03	6.07	6.10	6.14	6.17	6.21

- 2.17** The latest forecast sets out a view that short, medium and long dated interest rate will be elevated for some time as the Bank of England seeks to squeeze inflation out of the economy.

Local Context

- 2.18** On 31st March 2025, the Authority had net borrowing of £152.661M 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 2 below.

Table 2: Balance Sheet Summary

	31/3/25	31/3/26
	Actual	Forecast
	£m	£m
General Fund CFR	120.021	124.044
HRA CFR	82.135	92.270
Total CFR	202.156	216.314
Less: *Other debt liabilities	(2.921)	(2.704)
Borrowing CFR	199.235	213.610
External borrowing**	(169.851)	(199.765)
Internal borrowing	29.384	13.845
Less: Balance sheet resources	(47.000)	(39.000)
Investments	17.616	25.155

2.19 The treasury management position on 30th September 2025 and the movement over the six months is shown in Table 2 below.

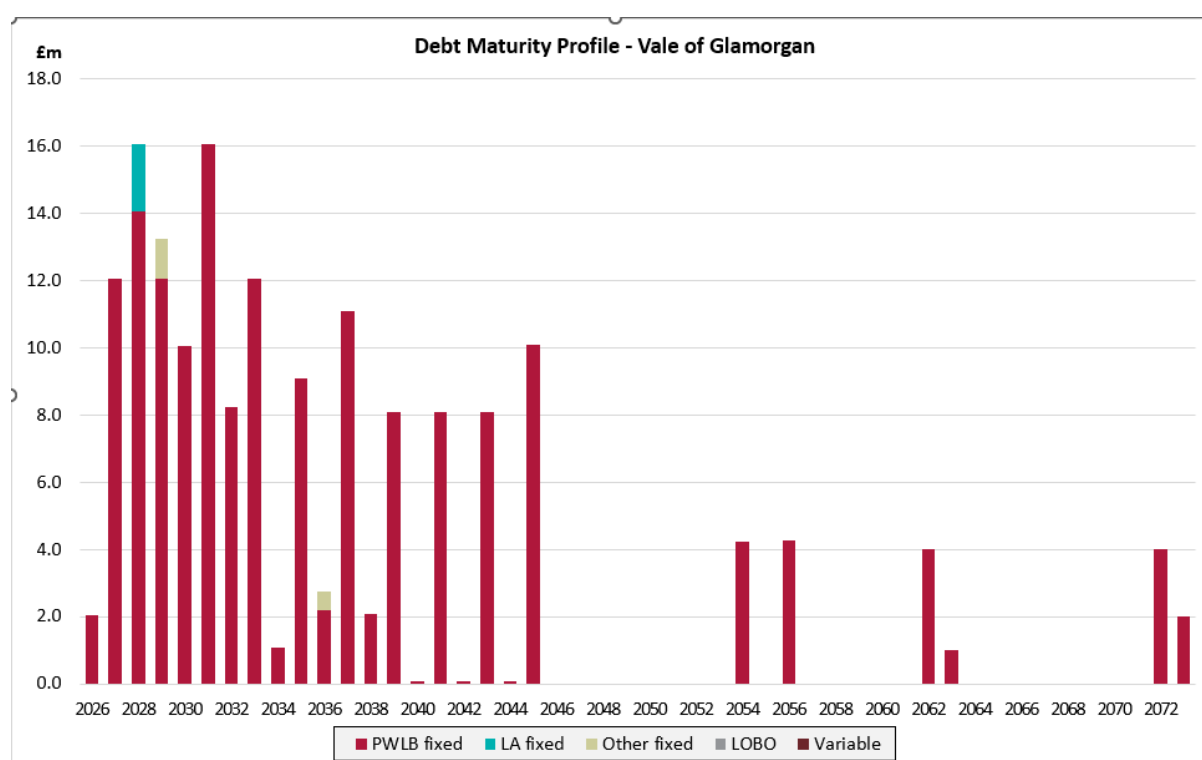
Table 3: Treasury Management Summary

	31.3.25 Balance £M	Movement £M	30.9.25 Balance £M	30.9.25 Rate %
Long-term borrowing				
- PWLB	(165.952)	(0.014)	(165.966)	4.38
- Other	(3.899)	(0.831)	(4.730)	2.61
Total borrowing	(169.851)	(0.845)	(170.696)	4.34
Long-term investments	0.000	0.000	0.000	0.00
Short-term investments	16.825	33.450	50.275	4.23
Cash and cash equivalents	0.365	1.135	1.500	4.00
Total investments	17.190	34.585	51.775	4.22
Net (borrowing)	(152.661)	(33.740)	(118.921)	

Borrowing Strategy and Activity

2.20 As outlined in the treasury strategy, the Authority's chief objective when borrowing external funds 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 in September 2025.

Table 4 – Debt Maturity Profile

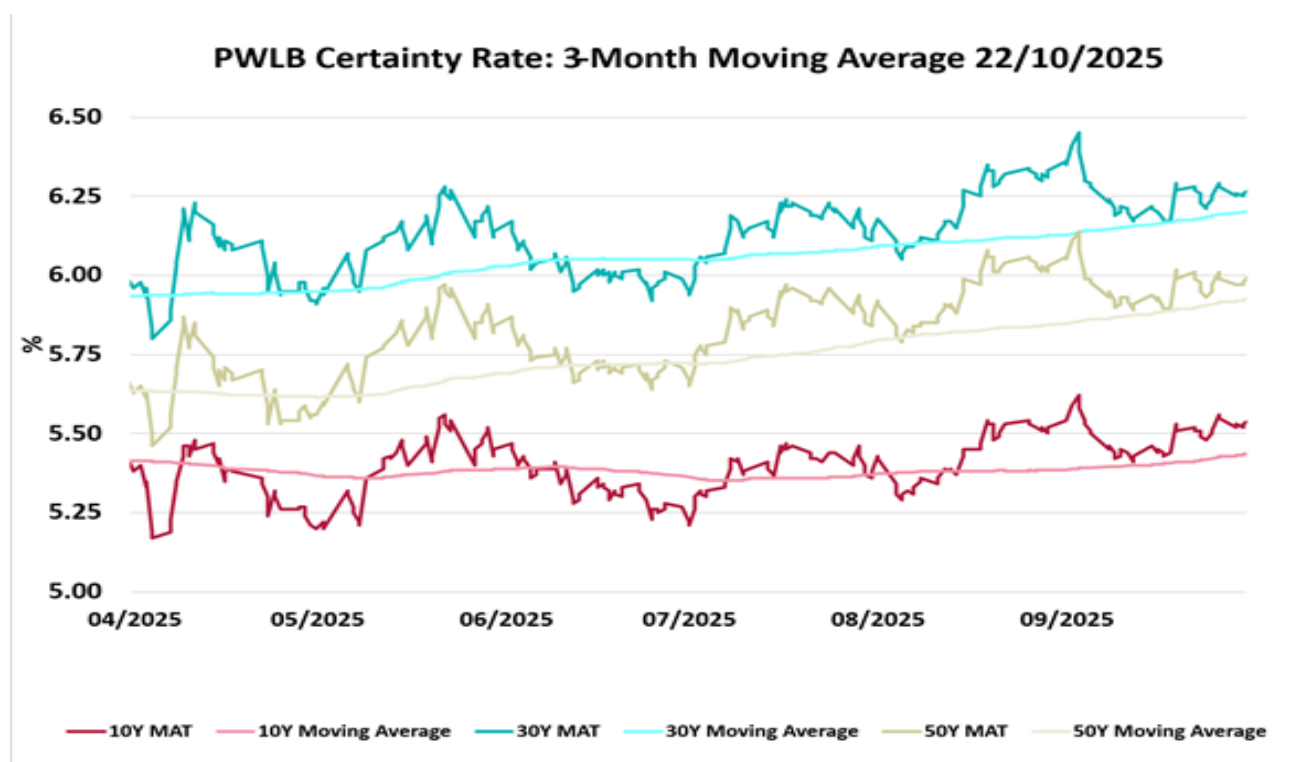


- 2.21** The majority of the Authority's external borrowing is made up of Public Works Loan Board (PWLB) fixed rate debt. Debt is heavily concentrated in the short to medium term with peaks reaching around £16M. After 2044, debt repayments begin to fall, with only small maturities every few years through to 2072.
- 2.22** After substantial rises in interest rates since 2021 central banks have now begun to reduce their interest rates, albeit slowly. Gilt yields however have increased over the half year period to September 2025 amid concerns about inflation, the UK Government's fiscal position and general economic uncertainty.
- 2.23** The PWLB certainty rate for 10-year maturity loans was 5.38% at the beginning of the period April to September 2025 and 5.53% at the end. The lowest available 10-year maturity certainty rate was 5.17% and the highest was 5.62%. Rates for 20-year maturity loans ranged from 5.71% to 6.30% during the period, and 50-year maturity loans from 5.46% to 6.14%. The cost of short-term borrowing from

other Local Authorities has been similar to the bank Base Rate during the period at 4.0% to 4.5%.

Table 5 - PWLB maturity certainty rates (gilts plus 80bps) year to date to 30th September 2025

	10 Year	20 Year	50 Year
01/04/2025	5.58	6.08	5.83
30/09/2025	5.73	6.34	6.18
Low	5.37	5.91	5.66
Low date	04/04/25	04/04/25	04/04/25
High	5.82	6.50	6.34
High date	03/09/25	03/09/25	03/09/25
Average	5.60	6.22	6.03
Spread	0.45	0.59	0.68



2.24 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.

2.25 The PWLB HRA rate which is 0.4% below the certainty rate is available up to March 2026. This discounted rate is to support Local Authorities borrowing for the Housing Revenue Account and for refinancing existing HRA loans. No

borrowing was undertaken to support the HRA at the discounted rate during the period under review. However, utilisation of the HRA borrowing rate is planned for Quarter 3.

- 2.26** The Council's current estimated revised CFR for 2025/26 is £216.314M. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing).
- 2.27** The Council has where possible been self-financing new capital expenditure and maturing debt. However, available balances and reserves are now practically exhausted, and the Council is borrowing externally from the Public Works Loan Board (PWLB). Due to the current high cost of borrowing, the Council has opted to take shorter-term loans (up to seven years) in anticipation that interest rates will fall over this period. During the period under review, the Council borrowed £6 million for General Fund capital expenditure at a rate 20 basis points below the standard rate. The Council intends to extend the maturity profile of new loans up to 12 years from quarter 3 2025/26 to reduce the Council's exposure to interest rate fluctuations.
- 2.28** However, it is the Council's intention that external borrowing will still be kept to a minimum during 2025/2026 and will maximise internal borrowing where possible. The Section 151 Officer will liaise with its newly appointed treasury advisor, Arlingclose in respect of the Council's borrowing strategy and will keep all potential PWLB borrowing under review.
- 2.29** As of 31st March 2025, the Authority internally borrowed £29.384M to finance the Capital Programme. This position will be kept under review by the Section 151 Officer with advice sought from Arlingclose as required. The Council needs to keep this approach under review in the context surety of borrowing and use of reserves to ensure internal borrowing does not exceed a prudent proportion of reserves and core cash is maintained for operational purposes.
- 2.30** Interest charged on internal borrowing that is not supported by a revenue stream is calculated using the 3 month Sterling Overnight Interest Average rate (SONIA). The average rate calculated to 30th September 2025 is 4.19%.
- 2.31** Internal Borrowing currently still represents a cheaper alternative to longer term borrowing from external sources, although the margins are diminishing. The estimated total interest to be charged to revenue for internal borrowing for pooled loans in 2025/26 is estimated to be £0.907M.
- 2.32** When pooling the interest charges for external and internal borrowing, the average rate charged to the Council to deliver the Capital Programme is estimated to be 4.47%.
- 2.33** In addition, the Council has previously internally borrowed for the Local Government Borrowing Initiative (LGBI) for 21st Century Schools, Affordable Housing and Highways initiatives. The interest to be charged for this element of the internal borrowing for 2025/26 is £0.450M.

- 2.34** In line with the Authority's existing borrowing strategy the revised estimate for new loans required to support the Capital Programme for 2025/26 is £20.391M which is both supported and prudential borrowing
- 2.35** The effects of the above on the Capital Programme objectives are being assessed, therefore, the Authority's borrowing strategy will be reviewed and then revised to achieve optimum value and risk exposure in the long term.
- 2.36** At 30th September 2025 the Authority held £170.696M of loans, an increase of £0.845M from 31st March 2025, as part of its strategy for funding previous and current years' Capital Programmes. Outstanding loans on 30th September 2025 are summarised in table 6 below.

Table 6 - External Debt

Loan Type	Opening Balance 31/03/2025	Received	Repaid	Closing Balance 30/09/2025	Weighted Average Rate
	£m	£m	£m	£m	%
PWLB	165.952	6.000	(5.986)	165.966	4.38
Local Authority Loan	2.000	0.000	(0.000)	2.000	4.55
Salix Loans	0.849	0.000	(0.169)	0.680	0
WG Loans	1.050	1.000	(0.000)	2.050	1.57
Total	169.851	7.000	(6.155)	170.696	

- 2.37** Loans borrowed from the PWLB are intended to assist Local Authorities in meeting their longer-term borrowing requirements. The above PWLB loans are all at fixed rates of interest. The rate paid on each loan is largely dependent upon the original duration of the loan and date taken out. The loans taken out for the Housing Revenue Account Subsidy buyout were at a predetermined range of rates specified by HM Treasury. The Council has a significant repayment schedule over the next five years that will see the Council repay some historical debt at high interest rates.
- 2.38** External borrowing undertaken from the PWLB during the first 6 months of 2025/26 was £6M at an average rate of 4.56%.
- 2.39** Maturing PWLB Debt repaid during the first 6 months of 2025/26 totalled £5.986M at an average rate of 4.47%.
- 2.40** Two loans are included for Salix with balances outstanding totalling £0.680M which have been borrowed, interest free, for energy management schemes primarily Street Lighting. The Authority made Principal repayments of £0.169M on these loans over the last 6 months.
- 2.41** Welsh Government (WG) Loan is made up of three loans provided by WG. The first is a concessionary loan for £500K which was originally advanced interest free

but is now subject to an interest rate of 2.15%. The second is a Town Centre Loan of £550K, advanced interest free, and the third is a new Transforming Towns Loan of £1M, advanced in 2025/26 at an interest rate of 2.15%.

Debt Rescheduling

- 2.42** Although rates have been higher, no suitable opportunities have been identified so far. No debt rescheduling has therefore been undertaken to date in the current financial year. However, now that the whole of the yield curve has shifted higher there may be better opportunities in the future, although only prudent and affordable debt rescheduling will be considered.
- 2.43** The Head of Finance/Section 151 officer will liaise with the Council's advisors concerning any opportunities that may arise.

Other Debt Activity

- 2.44** In accordance with IFRS 16, the opening lease liability as at 1st April 2025 was £2.920m. During the year, lease additions of £0.690m are anticipated. After accounting for lease repayments of £0.906m, the projected closing lease liability is £2.704m as at 31st March 2026.
- 2.45** A refresh of the current leasing data is currently under review and an update will be provided in the quarter 3 monitoring report.

Changes in Risk Appetite

- 2.46** The CIPFA Codes and guidance notes have placed enhanced importance on risk management. Where an authority changes its risk appetite e.g., for moving surplus cash into or out of certain type of investment funds or other types of investment instruments, this change in risk appetite and policy should be brought to Members' attention in treasury management update reports.

The Authority's Capital Position (Prudential Indicators)

- 2.47** This part of the report is structured to update:
- The Authority's capital expenditure plans.
 - How these plans are being financed.
 - The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow.
 - Compliance with the limits in place for borrowing activity.
- 2.48** The Treasury Management prudential indicators are based on the 2025/26 Capital Programme included in the Quarter 2 Capital Monitoring report which is on the same agenda as this report. The revised Prudential and Treasury indicators are set out in Appendix 1 of this report.
- 2.49** It is a statutory duty for the Authority to determine and keep under review its affordable borrowing limits. During the half year ended 30th September 2025, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2025/26. A review of

the Council's position at the mid-year point of the year is included in Appendix 1 to this report. The Head of Finance (Section 151 Officer), reports that no difficulties are envisaged for the current or future years in complying with these indicators.

Treasury Investment Strategy

- 2.50** Council approved the 2025/26 Treasury Management Strategy Statement (TMSS) at its meeting on 10th March 2025.
- 2.51** The CIPFA Treasury Management Code 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.
- 2.52** The CIPFA Treasury Management Code 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.
- 2.53** During the period under review, the level of funds available for investment has increased due to higher reserves and balances. The increase in funds is largely attributable to additional grant receipts, particularly from the Levelling Up programme and the Schools Capital Investment programme. Regular quarterly borrowing has also contributed to the improved cash position. Consequently, the Authority has continued to invest with other Local Authorities, the Debt Management Office (DMO), Money Market Funds (MMF), and the instant access account held with Lloyds Bank PLC.
- 2.54** As of 30th September 2025, the underlying TMSS approved previously on 10th March 2025 requires revision in the light of economic and operational movements during the year. The proposed changes and supporting detail are set out in this report at 2.48 and 2.49.
- 2.55** The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the half year April to September 2025, the Authority's investment balances ranged between £17.190 and £51.775 million due to timing differences between income and expenditure. The investment position is shown in table 6 below:

Table 7 – Investments

Investment Counterparty	31/03/25 Balance	Invested	Returned	30/9/25 Balance	30/9/25 Income Return	30/9/25 Weighted Average Maturity
	£m	£m	£m	£m	%age	Days
UK Local Authorities	2.000	29.500	(16.000)	15.500	4.25	148.9

Debt Management Office	5.625	535.355	(526.205)	14.775	4.18	13.9
Money Market Funds (MMF)	9.200	10.800	0.000	20.000	4.26	n/a
Lloyds Deposit Accounts	0.365	9.655	(8.520)	1.500	4.00	n/a
Total	17.190	585.310	(550.725)	51.775		

Table 8 – Investment Limits

	2025/26	30/9/25	2025/26	Complied?
	Maximum	Actual	Limit	Yes/No
	£M	£M	£M	
UK Government - Treasury Bills and DMADF	Unlimited	14.775	Unlimited	Yes
Local Authorities (maximum per authority)	5.000	15.500	Unlimited	Yes
UK Fire and Police Authorities	5.000	0.000	Unlimited	Yes
Money Market Funds (maximum per fund)	10.000	20.000	20.000	Yes
UK Call Bank Accounts in UK Banks	10.000	1.500	10.000	Yes
UK Banks	5.000	0.000	Unlimited	Yes
Foreign Banks	5.000	0.000	10.000	Yes

- 2.56** The Authority does not currently invest in any individual country outside the UK and it is intended that this approach will continue in 2025/26. The total investment in individual UK institutions that are part of the same UK owned group will not exceed the limit set out in the table above.
- 2.57** Both the CIPFA Code and Welsh Government guidance on investments 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.
- 2.58** As demonstrated by the liability benchmark in this report, the Authority expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments.
- 2.59** Bank Rate reduced from 4.50% to 4.25% in May 2025, followed by a further reduction to 4.00% in August 2025. Short term interest rates have largely followed these levels. The rates on Det Management Deposit Facility (DMADF) deposits ranged between 3.95% and 4.45% and money market rates between 4.02% and 4.51%.

- 2.60** The Authority has budgeted £0.250M income from these investments in 2025/26. Interest at an average rate of 4.22% and amounting to £1.119M including interest accrued has been received from these investments during the first 6 months of 2025/26.
- 2.61** This strategy is considered prudent considering the continuing pressures in the financial markets caused by the Russian Invasion of Ukraine, the Israeli invasion into the Gaza Strip and the escalation to the Middle East, the cost-of-living crisis, the threat of bail in for fixed term investments with banks and still the remaining uncertainty with Brexit. The Head of Finance (Section 151 Officer) will continue to have regard to the security and liquidity of the investments before seeking the highest rate of return or yield.
- 2.62** Council officers in conjunction with the treasury advisors continually monitor the prevailing interest rates and the market forecasts and adopt a pragmatic approach to changing circumstances in respect of its borrowing needs.
- 2.63** The Head of Finance (Section 151 Officer) can positively report that all Treasury Management activity undertaken during the period complied with the approved strategy, the CIPFA Code of Practice and the relevant legislative provisions

Non-Treasury Investments

- 2.64** The definition of investments in the Treasury Management Code now covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return). The Authority does not maintain any investments of this type.

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 Management 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 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 most of these counterparties have declared a climate and nature emergency, the Council accepts 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 or the Council should continue to use that counterparty for investment purposes.
- 5.4** Some investments are held with the Money Market Fund CCLA. 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** Some investments are held with the Money Market Fund Federated Hermes. Federated Hermes consider that they take a pragmatic view of the investment universe to identifying 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 and CIPFA'S Code of Practice for Treasury Management in the Public Services is mandatory.

6. Background Papers

- 6.1** CIPFA'S Code of Practice for Treasury Management in the Public Services (2021 Edition), and WG guidance on Local Authority investments.

Appendix 1

Mid Year Treasury Management Prudential Indicators 2025/26

1. Capital Expenditure

- The purpose of this indicator is to provide a summary of the Council's capital expenditure. It reflects the capital programme that is being requested to be approved within the quarter 2 Capital Monitoring report which is on the same agenda as this report. A supplementary table is included detailing the resources to be applied to finance the capital spend which highlights any net financing need over the reporting period.
- This table shows the 2024/25 capital expenditure and the estimated capital expenditure between 2025/26 and 2028/29 as agreed by Cabinet with the latest updated Capital Programme which is reported as part of the Quarter 2 Capital Monitoring.

Table 1 – Capital Expenditure

Capital Expenditure	2024/25 Actual £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Non HRA	38.801	72.551	83.158	31.820	21.553
HRA	26.707	26.352	46.824	61.795	49.203
Total Capital Expenditure	65.508	98.903	129.982	93.615	70.756
IFRS16 New Leasing Advances	0.255	0.690	0.000	0.000	0.000
	65.763	99.593	129.982	93.615	70.756

Capital Expenditure by Service	2024/25 Actual £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Learning & Skills	13.666	40.161	30.264	18.608	11.871
Social Services	1.632	4.314	1.560	1.530	1.365
Environment & Housing	12.801	16.992	15.986	4.524	4.285
Place	7.347	8.015	20.219	0.546	0.000
Corporate Resources	1.467	1.349	0.344	0.348	0.473
City Deal	0.000	0.157	0.423	0.62	3.313
Pipeline Schemes	1.888	1.563	14.362	5.644	0.246
Housing Revenue Account (HRA)	26.707	26.352	46.824	61.795	49.203
IFRS16 New Leasing Advances	0.255	0.690	0.000	0.000	0.000
Total Capital Expenditure	65.763	99.593	129.982	93.615	70.756

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 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 – Capital Programme Funding

Sources of Capital Financing	2024/25 Actual £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Total Capital Expenditure	65.763	99.593	129.982	93.615	70.756
Financed by:					
General Capital Funding	3.540	4.229	4.229	4.229	4.229
Capital Receipts GF	0.641	3.978	2.937	0.166	0.011
Capital Receipts HRA	0.000	0.000	0.000	0.500	0.500
Reserves/Revenue GF	3.294	7.227	7.832	1.467	1.200
Reserves/Revenue HRA	7.549	7.835	6.540	7.516	3.355
S106 GF	3.953	2.779	1.75	2.435	0.000
S106 HRA	0.189	0.753	1.828	0.000	0.000
External Grants GF	23.927	45.89	55.353	15.579	8.828
External Grants HRA	15.432	5.821	5.570	5.570	5.570
Total Financing	58.525	78.512	86.039	37.462	23.693
Supported Borrowing GF	3.446	3.377	3.377	3.377	3.377
Prudential Borrowing GF	0.000	5.071	7.680	4.567	3.908
Prudential Borrowing HRA	3.537	11.943	32.886	48.209	39.778
IFRS16 New Advances	0.255	0.690	0.000	0.000	0.000
Financing Need for the Year	7.238	21.081	43.943	56.153	47.063
Total Funding	65.763	99.593	129.982	93.615	70.756

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. The Authority has revised the Capital Financing Requirement estimate for 2025/26 downwards which primarily reflects a decrease in the estimated borrowing mainly for the Housing Revenue Account (HRA) & The Sustainable Communities for Learning Programme.

Table 3 – Capital Financing Requirement

	2024/25 Actual £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Non-HRA	117.100	121.340	128.059	131.550	134.335
Leasing	2.922	2.704	2.263	1.861	1.497
HRA	82.135	92.270	122.988	168.368	204.349
Total CFR	202.157	216.314	253.310	301.778	340.182
Net financing need for the year	10.703	21.080	43.943	56.153	47.063
MRP & VRP	(7.339)	(6.923)	(6.946)	(7.684)	(8.659)
Movement in CFR	3.364	14.157	36.997	48.469	38.404

Table 4 – General Fund Capital Financing Requirement

Non HRA Capital Financing Requirement	2024/25 Actual £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Opening CFR	118.465	120.021	124.044	130.322	133.410
Leasing Adjustment	3.465	0.000	0.000	0.000	0.000
Total Opening CFR	121.930	120.021	124.044	130.322	133.410
Capital Expenditure	38.801	72,551	83.158	31.820	21.553
Capital Expenditure (Leasing)	0.255	0.690	0.000	0.000	0.000
Resources used	(35.355)	(64,103)	(72.101)	(23.876)	(14.268)
MRP & VRP*	(5.610)	(5,115)	(4.778)	(4.856)	(4.863)
Closing Non HRA CFR	120.021	124.044	130.322	133.410	135.832

Table 5 - Housing Revenue Account Capital Financing Requirement

HRA Capital Financing Requirement	2024/25 Actual £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Opening CFR	80.327	82.135	92.269	122.988	168.368
Capital Expenditure	26.707	26.352	46.824	61.795	49.203
Resources used	(23.170)	(14.409)	(13.938)	(13.586)	(9.425)
MRP & VRP	(1.729)	(1.808)	(2.168)	(2.829)	(3.796)
Closing HRA CFR	82.135	92.269	122.988	168.368	204.349

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 and Operational Boundary

- 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.
- 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.

Table 6 - Authorised Limit and Operational Boundary

	2025/26 Maximum	30/9/25 Actual	2025/26 Operational Boundary	2025/26 Authorised Limit	Complied? Yes/No
	£m	£m	£m	£m	
Borrowing	175.858	170.696	260.831	286.207	Yes
PFI and Finance Leases	3.158	3.158	3.158	10.000	Yes
Total debt	179.016	173.854	263.989	296.207	Yes

- As part of the Treasury Management Strategy, delegated authority was granted to amend leasing figures following the implementation of the International Financial Reporting Standard (IFRS 16). The Operational Boundary has been temporarily increased from 3.083M to 3.158M.

5. 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 7 - Gross Debt and CFR

	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
CFR	202.157	216.314	253.310	301.778	340.182
Gross borrowing	169.851	199.765	233.247	285.098	324.971
Other Long Term Liabilities	2.920	2.704	2.263	1.861	1.497
Under/(over) borrowing	29.386	13.845	17.800	14.819	13.713

6. 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 8 - Ratio of Financing Costs to Net Revenue Stream

	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
	%	%	%	%	%
Non-HRA	2.69	2.90	3.00	3.04	3.11
Target Non HRA	5.00	5.00	5.00	5.00	5.00
HRA	19.27	21.49	27.51	36.56	44.20
Target HRA	40.00	40.00	40.00	40.00	40.00

- 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. It is anticipated that the HRA target will be breached in 2028/29. However, as this target was not established as part of the 2025/26 Treasury Management Strategy, it will need to be reviewed during the 2026/27 Housing Improvement Programme setting process.

7. 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.

Table 9 - Liability Benchmark Table

	31/03/2025 Actual £m	31/03/2026 Forecast £m	31/03/2027 Forecast £m	31/03/2028 Forecast £m
Loans CFR	199.235	213.610	251.072	299.943
Less: Balance sheet resources	(47.206)	(38.991)	(33.554)	(32.483)
Net loans requirement	152.029	174.619	217.518	267.460
Plus: Liquidity allowance	20.000	20.000	20.000	20.000
Liability benchmark	172.029	194.619	237.518	287.460
Existing borrowing	(169.851)	(161.173)	(148.713)	(132.411)

- 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.

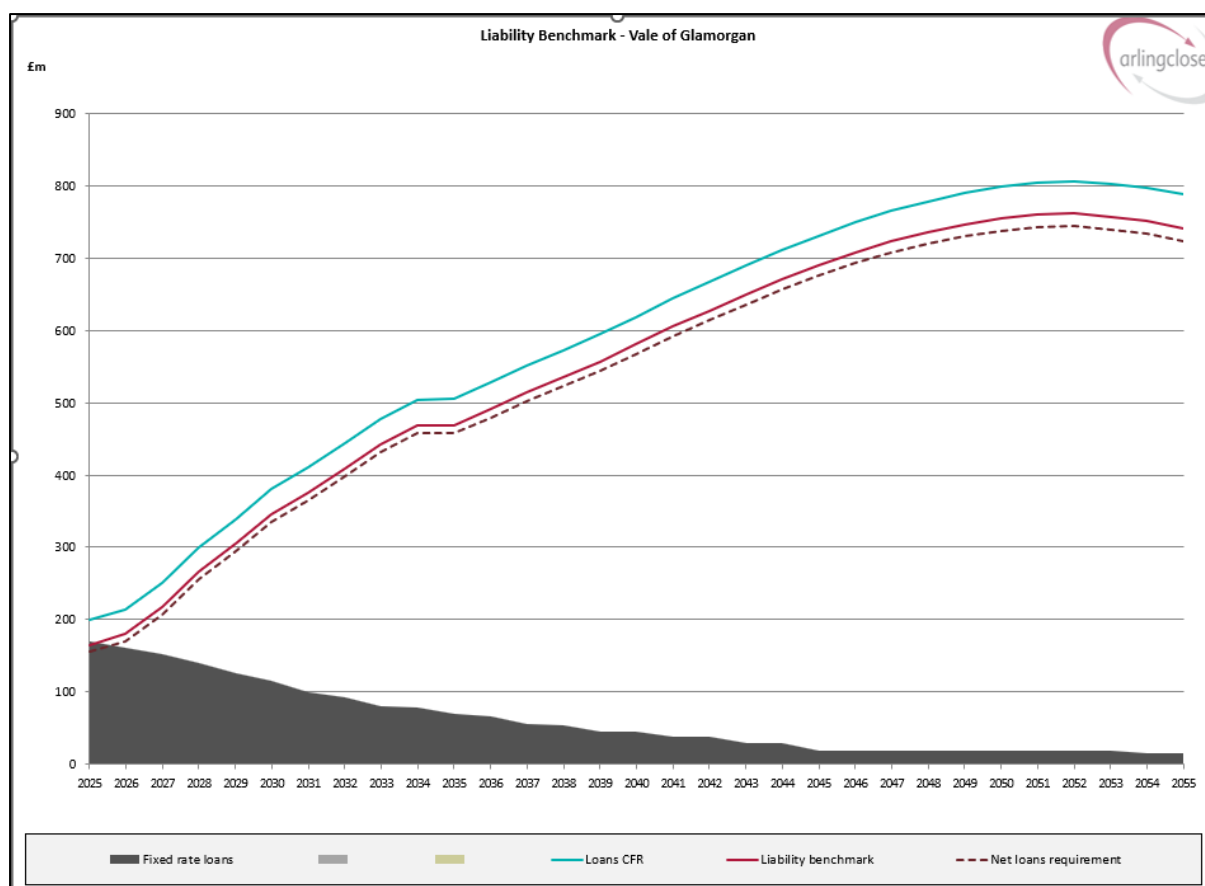


Table 10 – Liability Benchmark

Year	Projected CFR	Projected External debt	Under/Over Borrowing
	£m	£m	£m
2024/25	199.235	169.851	29.384
2025/26	213.610	161.173	52.437
2026/27	251.047	148.713	102.334
2027/28	299.918	132.411	167.507
2028/29	338.685	120.221	218.464
2029/30	380.145	110.156	269.989
2030/31	409.755	94.103	315.652
2031/32	444.121	85.893	358.228
2032/33	478.156	73.845	404.311
2033/34	504.206	72.781	431.425
2034/35	505.343	63.711	441.632
2035/36	527.754	60.996	466.758
2036/37	550.492	49.94	500.552
2037/38	572.695	47.861	524.834

2038/39	594.857	39.78	555.077
2039/40	618.401	39.697	578.704
2040/41	643.518	31.612	611.906
2041/42	666.532	31.525	635.007
2042/43	689.399	23.435	665.964
2043/44	710.927	23.343	687.584
2044/45	730.941	13.249	717.692
2045/46	749.076	13.249	735.827
2046/47	765.303	13.249	752.054
2047/48	777.746	13.249	764.497
2048/49	789.231	13.249	775.982
2049/50	798.326	13.249	785.077
2050/51	803.649	13.249	790.4
2051/52	805.788	13.249	792.539
2052/53	802.584	13.249	789.335
2053/54	797.367	9.054	788.313
2054/55	788.018	9.054	778.964

- Over the 30 year period the chart shows that external borrowing falls significantly below the Council's Capital Financing Requirement. For as long as usable reserve balances are available the Council will maintain this under borrowed position.
- This means that the capital borrowing need was not fully funded with external loan debt as cash supporting the Council's reserves, balances and cash flow were used as an interim measure to finance the Council's borrowing requirement. This allows the Council to mitigate the volatility of the financial market and interest rates.
- These reserves are projected to reduce over the period under review and the Council is expected to externally borrow up to the CFR at the end of the period.
- The Council's investment balance has increased as of 30th September 2025, with current investment balances detailed later in this report. Investment levels are expected to remain higher in the short term before reducing 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.

8. 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
 - 5years and within 10 years
 - 10 years and above
- As of 30th September 2025, the maturity breakdown of the Council's borrowing is set out in the table below.

Table 11 - Maturity Structure of Borrowing

This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

	Upper Limit	Lower Limit	30.9.25 Actual	Complied?
Under 12 months	20	0	1.37	Yes
12 months and within 24 months	40	0	7.34	Yes
24 months and within 5 years	40	0	22.72	Yes
5 years and within 10 years	40	0	27.37	Yes
10 years and above	100	0	41.20	Yes

- 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.

9. 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 in order 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 12 – Limits for Long Term Treasury Management Investments

	2024/25	2025/26	2025/26	2026/27
	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m
Limit for investments > a year	£10	£10	£10	£10
Actual principal invested beyond 365 days	0	0	0	0
Complied?	Yes	Yes	Yes	Yes

- As at 30 September 2025, the total value of the Council's investments after the financial year ending 31 March 2026 is £6.5m. The investments mature between 7 April 2026 and 28 August 2026.