

Treasury Management Prudential Indicators – Q3 2025/26

The Chartered Institute of Public Finance and Accountancy published the revised Treasury and Prudential codes in 2021, which requires quarterly reporting of performance against forward looking prudential indicators. The performance of the Council's treasury management activity, against benchmarks and the key indicators in the Council's Treasury Management Strategy, as approved by Full Council at its meeting of 11 February 2025, are set out below.

Investments

Cash investment balances as at 31 December 2025 have fallen by 58% in one year, from £114.2m at Q3 2024/25 to £57.1m. The average investment return over Q3 was 4.24% performing above the benchmark rate by 31 basis points (or 0.31 percentage points). Performance has reduced marginally because of maturing investments being placed in a lower interest rate environment and for a shorter duration, due to cashflow.

	Average Investment Balance £m	Average Investment Return	Average Benchmark Rate*	Difference
Quarter 1 2025/26	151.972	4.74%	4.32%	+0.42%
Quarter 2 2025/26	117.976	4.50%	4.07%	+0.43%
Quarter 3 2025/26	78.072	4.24%	3.93%	+0.31%

*the Benchmark rate used is the Standard Overnight Index Average (SONIA); a rate administered by the Bank of England based on actual transactions of overnight borrowing by financial institutions.

During Q3 we have monitored the security of the Council's investments, to assess the risk of those investments losing their value. These risks were assessed using the financial standing of the groups invested in, the length of each investment, and the historic default rates. Our investment strategy sets an allowable risk level of 0.050% (i.e. that there is a 99.95% probability that the Council will get its investments back). The actual indicator ranged between 0.007% and 0.009%, reflecting the high proportion of investments held in highly secure and/or very liquid investments.

Investment Risk Benchmark	0.050%
Maximum Investment Risk Experienced Q3	0.009%

Borrowing

The table below shows the Council's total external borrowing and average rate as at 31 December 2025. Short term borrowing was required to cover a temporary cashflow shortfall towards the end of December. This was sourced from the Local Authority Market via the Council's approved brokers; the loans will be repaid in early January. No further debt maturities occurred in Q3.

	Balance as at 31 December 2025 £m	Average Rate
PWLB	200.142	4.38%
Short Term Borrowing (Local Authority)	15.000	4.40%
Market Loans	-	-
Total Borrowing	215.142	4.38%

The table below shows the Q3 forecast of the Capital Financing Requirement (CFR) compared to the estimate within the 2025/26 strategy approved in February 2025. The CFR is expected to

give rise to new borrowing required of £113.110m by the end of the year, compared to the original estimate of £70.000m following an increased capital programme borrowing need in 2024/25 carried forward. The strategy currently forecasts that the level of reserves and balances in the medium term allows for internal borrowing (using internal resources such as useable reserves or temporary working capital) of at least £75.000m in 2025/26. It is therefore expected that new borrowing of £38.110m may be required to support the capital programme during 2025/26, although the timing of borrowing will be considered in the context of the wider treasury management position and economic environment.

Capital Financing Requirement (CFR) (Underlying Borrowing Need)*	Original Estimate 2025/26 £m	Revised forecast as at 31 December 2025 £m
Opening CFR	268.971	292.380
Borrowing Requirement	15.812	29.276
Minimum Revenue Provision	(8.111)	(8.404)
Closing CFR	276.672	313.252
Long Term External Borrowing as at 31 December 2025	-	200.142
Forecast Under borrowing (if no action taken)	-	113.110

*The CFR underlying borrowing need excludes PFI and lease arrangements.

The table below shows that the Council is operating within the Operational Boundary and Authorised Borrowing Limits set within the Treasury Management Strategy and has sufficient headroom to cover any unforeseen borrowing need arising from the year's capital programme.

Borrowing Limits for external debt	Operational Boundary £m	Authorised Borrowing Limit £m
Limit set for 2025/26	362.000	382.000
Less: PFI & Leases	(76.000)	(76.000)
Limit for Underlying Borrowing	286.000	306.000
Actual External Borrowing at 31 December	215.142	215.142
Headroom*	70.858	90.858

*Authorised Borrowing headroom cannot be less than zero

The maturity profile of the Authority's borrowing is within the limits set within the strategy.

Maturity Structure of Borrowing	Lower Limit Set	Upper Limit Set	Actual as at 31 December 2025
Under 12 months**	0%	25%	10%
12 months to 2 years	0%	40%	2%
2 years to 5 years	0%	60%	5%
5 years to 10 years	0%	70%	21%
Over 10 years	0%	90%	62%

**Includes Short Term Local Authority borrowing