

Audit Committee – 31 October 2025

Treasury Management Mid-Year Report 2025/26

Purpose	For Review
Classification	Public
Executive Summary	The Treasury Management Mid-Year Report sets out the Council's treasury activity so far in 2025/26, incorporating any borrowing and investment decisions made and compliance with the treasury management prudential indicators and relevant legislation and guidance.
Recommendation(s)	It is recommended that Audit Committee: 1) Approves the Treasury Management Mid-Year Report. 2) Notes the treasury activity to date in 2025/26 as laid out in the report, including compliance with both the treasury management prudential indicators and relevant legislation and guidance.
Reasons for recommendation(s)	To comply with the statutory guidance issued by the Government in January 2018 and the CIPFA 2021 Prudential and Treasury Management Codes, the Council is required to approve, as a minimum, treasury management semi-annual and annual outturn reports. This includes the requirement in the CIPFA Treasury Management Code 2021, mandatory from April 2023, of reporting of the treasury management prudential indicators. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.
Ward(s)	All

Portfolio Holder(s)	Councillor Jeremy Heron – Finance and Corporate
Strategic Director(s)	Alan Bethune – Strategic Director Corporate Resources & Transformation & Section 151 Officer
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Introduction and background

1. The Treasury Management Mid-Year Report 2025/26 is a high-level document, giving an overview of how the Council has managed its cash balances and its associated investments and borrowing over the course of the financial year to date.
2. Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has borrowed and invested sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.
3. Treasury risk management at the Council is conducted within the framework of the CIPFA Code which requires the Council to approve a Treasury Management Strategy Statement (TMSS) before the start of each financial year, as well as treasury management semi-annual and annual outturn reports. This includes the requirement in the CIPFA Treasury Management Code 2021, mandatory from April 2023, of reporting of the treasury management prudential indicators. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.
4. Investments held for service purposes or for commercial profit are considered in a different report, the Investment Strategy.

Corporate plan priorities

5. Management of the Council's cash flows, borrowing and investments, and the associated risks ensures we are being financially responsible which underpins the delivery of all our priorities.

Options appraisal

6. The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The S151 Officer believes that the Treasury Management Strategy approved in February 2025 represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed in Table 1.

Table 1: Alternative strategies and their implications

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain

Table 1: Alternative strategies and their implications

Alternative	Impact on income and expenditure	Impact on risk management
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Consultation undertaken

7. This report has been produced in consultation with Hampshire County Council's Investments & Borrowing team.
8. In October 2025 several members attended the annual treasury management briefing session provided by the Council's treasury advisors Arlingclose.

Financial and resource implications

9. Hampshire County Council's Investments and Borrowing Team carry out the day-to-day management of the Council's cash balances and investments. The Council's in-house finance team undertake the accounting and the Section 151 Officer retains responsibility for strategic pooled fund investment and long-term borrowing decisions.
10. This is a financial report with any additional implications already detailed and considered in the main body of the report and appendices.

Legal implications

11. To comply with the statutory guidance issued by the Government in January 2018 and the CIPFA 2021 Prudential and Treasury Management Codes requiring all local authorities to approve a Treasury Management Strategy Statement (TMSS) before the start of each financial year, as well as treasury management semi-annual and annual outturn reports. This includes the requirement in the CIPFA Treasury Management Code 2021, mandatory from April 2023, of reporting of the treasury management prudential indicators. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.
12. The Council's Treasury Management Strategy Statement, approved in February 2025, follows the latest codes of practice and the MHCLG and CIPFA guidance.
13. With effect from February 2014 Hampshire County Council (HCC) and New Forest District Council ("the Council") established arrangements for the joint discharge of functions under Section (101)(1) and (5) of the Local Government Act 1972 and Section 9EA and 9EB Local Government Act 2000. Under this arrangement, HCC's Investments and Borrowing Team provide a Treasury Service which includes the management of the Council's cash balances and investment of surplus cash or sourcing of borrowing in accordance with the agreed Treasury Management Strategy Statement.

Environmental / climate and nature implications

14. There are no environmental implications arising directly from this report.

Equalities implications

15. There are no equality implications arising directly from this report.

Crime and disorder implications

16. There are no crime and disorder implications arising directly from this report.

Data protection / information governance / ICT implications

17. There are no data protection, information governance or ICT implications arising directly from this report

Appendices:

Appendix 1 – Treasury
Management Mid-Year Report
2025/26

Background Papers:

Treasury Management
Strategy 2025/26 – 2027/28

Treasury Management Outturn
Report 2024-25

TREASURY MANAGEMENT MID-YEAR REPORT 2025/26

1. PURPOSE AND SUMMARY

- 1.1. New Forest District Council has adopted the key recommendations of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Treasury Management Code), last updated in 2021. The CIPFA Treasury Management Code requires the Council to approve a treasury management strategy before the start of the year and a semi-annual and annual treasury outturn report, alongside quarterly reporting of the treasury management prudential indicators. The purpose of this report is therefore to meet this obligation by providing an update on the performance of the treasury management function during the financial year to date – 2025/26. The Q1 indicators specifically are provided at Annex B to this report.
- 1.2. The Council's treasury management strategy was most recently updated and approved at a meeting of Full Council in February 2025. The Council has borrowed and invested sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's treasury management strategy.
- 1.3. All treasury activity has complied with the Council's Treasury Management Strategy and Investment Strategy for 2025/26, and all relevant statute, guidance and accounting standards. In addition, support in undertaking treasury management activities has been provided by the Council's treasury advisers, Arlingclose.
- 1.4. In compliance with its duties to determine affordable borrowing limit, local authorities must have regard to CIPFA's Prudential Code of Capital Finance in Local Authorities (the Prudential Code) which includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The latest iteration of the Council's Capital Strategy, complying with

CIPFA's requirement, was approved by full Council in February 2025.

2. EXTERNAL CONTEXT

- 1.5. The following paragraphs explain the economic and financial background against which investment and borrowing decisions were made so far in 2025/26.

Economic background

- 1.6. From late June 2025, amid a UK backdrop of economic uncertainty, concerns around the government's fiscal position and speculation around the autumn Budget, yields on medium- and longer-term gilts pushed higher, including the 30-year gilt which hit its highest level for almost 30 years.
- 1.7. UK headline annual consumer price inflation (CPI) increased over the period, rising from 2.6% in March 2025 to 3.8% in August 2025, still well above the Bank of England's 2% target. Core inflation 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%.
- 1.8. The UK economy expanded by 0.7% in the first quarter of the calendar year and by 0.3% in the second quarter. In the final version of the Q2 2025 GDP report, annual growth was revised upwards to 1.4% year on year. However, monthly figures showed zero growth in July 2025, in line with expectations, indicating a sluggish start to Q3.
- 1.9. The August 2025 BoE Monetary Policy Report highlighted that after peaking in Q3 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.
- 1.10. Arlingclose, the Council's treasury adviser, maintained its central view that 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 further out as weak consumer sentiment and business confidence and investment continue to constrain growth. There is also considerable uncertainty around the autumn Budget and the impact this will have on the outlook.

Credit review

- 1.11. Arlingclose maintained its recommended maximum unsecured duration limit on the majority of the banks on its counterparty list at 6 months. The other banks remain on 100 days.
- 1.12. After spiking in early April 2025 following the US trade tariff announcements, UK credit default swap (CDS) prices have since generally trended downwards and ended the period at levels broadly in line with those in the first quarter of the calendar year and throughout most of 2024.
- 1.13. Overall, at the end of the period CDS prices for all banks on Arlingclose's counterparty list remained within limits deemed satisfactory for maintaining credit advice at current durations.
- 1.14. Financial market volatility is expected to remain a feature, at least in the near term and, CDS levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Council's counterparty list recommended by Arlingclose remain under constant review.

3. LOCAL CONTEXT

- 1.15. At 31 March 2025, the Council had net investments of £34.4m 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) as it is the amount of capital spending that has not yet been financed by capital receipts, capital grants or contributions from revenue income, while balance sheet resources are the underlying resources available for investment. Table 2 lays out the various CFR elements and how they are financed, comparing the

position at 31 March 2025 to the forecast position expected at 31 March 2026.

Table 2: Balance Sheet Summary and Forecast	31/3/25 Balance £m	Movement £m	31/3/26 Balance £m
General Fund CFR	27.3	7.8	35.1
HRA CFR	27.4	13.8	41.2
HRA Settlement	109.9	-4.1	105.8
Total CFR	164.6	17.5	182.1
Less: Other debt liabilities*	-	-	-
Loans CFR	164.6	17.5	182.1
Less: External borrowing:			
- Public Works Loan Board	(119.9)	4.1	(115.8)
- Other Local Authorities	(13.0)	13.0	0.0
Internal borrowing	31.7	34.6	66.3
Less: Balance sheet resources	(66.1)	2.6	(63.5)
Net borrowing/(investments)	(34.4)	37.2	2.8

* Other liabilities that form part of the Council's total debt

1.16. Table 2 shows that if the Council were to take no new external borrowing in the year, this in conjunction with the increase in CFR and the reduction in balance sheet resources would lead to a switch from a net investments to net borrowing position.

1.17. The Council's strategy was to maintain borrowing and investments below their underlying levels, referred to as internal borrowing, to reduce risk and keep interest costs low. The treasury management position at 30 June 2025 and the change over the quarter to 30 September 2025 is shown in Table 3.

Table 3: Treasury Management Summary	30/06/25 Balance £m	Movement £m	30/09/25 Balance £m	30/09/25 Rate %
Long-term borrowing	(115.8)	0.0	(115.8)	3.52
Short-term borrowing	(17.1)	13.0	(4.1)	2.92

Total borrowing	(132.9)	13.0	(119.9)	3.50
Long-term investments	9.1	0.0	9.1	5.24
Short-term investments	14.0	(2.5)	11.5	4.12
Cash and cash equivalents	15.9	(7.3)	8.6	4.03
Total investments	39.0	(9.8)	29.2	4.44
Net treasury management borrowing	(93.9)	3.2	(90.7)	

Note: the figures in Table 3 are from the balance sheet in the Council's statement of accounts adjusted to exclude operational cash, market value adjustments and accrued interest, and therefore differ from Table 2.

- 1.18. The decrease in net borrowing of £3.2m shown in Table 3 largely reflects the repayment of external borrowing of £13m coupled with a reduction of £9.8m in investment balances. Further details are provided in the Borrowing Strategy and Activity and Treasury Investments Activity sections of this report.

2. BORROWING STRATEGY AND ACTIVITY

- 2.1. As outlined in the treasury strategy, the Council's chief objective when borrowing has been to strike an appropriately low 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 Council's long-term plans change being a secondary objective. The Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. During the majority of the period short term interest rates have been higher than long term interest rates.
- 2.2. After substantial rises in interest rates since 2021 many central banks have now begun to reduce rates, albeit slowly. Gilt yields however have increased over the period amid concerns about inflation, the UK government's fiscal position and general economic uncertainty.
- 2.3. The PWLB certainty rate for 10-year maturity loans was 5.38% at the beginning of the period and 5.53% at the

end. The lowest available 10-year maturity at the 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 Base Rate during the period at 4.0% to 4.5%.

- 2.4. 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 the authority 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.
- 2.5. The Council is a net borrower and as stated in the Treasury Management Strategy 2025/26, expects a positive liability benchmark across the forecast period, which generally means an authority is required to take external borrowing to fund the gap between its resources and the CFR. Although the Council currently has taken external borrowing, this is not predicted to be sufficient to meet the CFR and further borrowing will be considered by the Chief Finance Officer when required.
- 2.6. At 30 September 2025 the Council held £119.9m of loans (a decrease of £13.0m from 30 June 2025) as part of its strategy for funding previous years' capital programmes. The year-end treasury management borrowing position and year-on-year change are summarised in Table 4.

Table 4: Treasury Management Summary	30/06/25 Balance £m	Net movement £m	30/09/25 Balance £m	30/09/25 Rate %	30/09/25 WAM* (years)
Public Works Loan Board	(119.9)	0.0	(119.9)	3.50	16.29
Other Local Authorities	(13.0)	13.0	0.0	0.00	0.00
Total borrowing	(132.9)	13.0	(119.9)	3.50	16.29

*Weighted average maturity

Note: the figures in Table 4 are from the balance sheet in the Council's statement of accounts but adjusted to exclude accrued interest.

- 2.7. This borrowing strategy has been monitored by Arlingclose and has enabled the Council to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.

3. TREASURY INVESTMENT ACTIVITY

- 3.1. The CIPFA Treasury Management Code now defines treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.
- 3.2. The Council holds invested funds representing income received in advance of expenditure plus balances and reserves held. During the year to date, the Council's investment balances have ranged between £28.6m and £63.4m due to timing differences between income and expenditure. The year-end investment position and the year-on-year change are shown in Table 5.

Table 5: Treasury investment position	30/06/25 Balance £m	Net movement £m	30/09/25 Balance £m	30/09/25 Rate %	30/09/25 WAM* (years)
Short term Investments					
Banks and building societies:					
Unsecured	1.6	4.4	6.0	4.06	0.20
Money Market Funds	14.3	(7.2)	7.1	4.07	0.00
Government:					
Debt Management Office	7.5	(7.5)	0.0	N/A	N/A
UK Treasury Bills	4.5	0.5	5.0	4.12	0.06
Cash plus funds	2.0	0.0	2.0	4.11	0.01
	29.9	(9.8)	20.1	4.08	0.08
Long term investments					
Pooled property*	7.6	0.0	7.6	4.80	N/A
Pooled equity*	1.5	0.0	1.5	7.43	N/A
	9.1	0.0	9.1	5.24	N/A
TOTAL INVESTMENTS	39.0	(9.8)	29.2	4.44	0.05

* The rates provided for pooled fund investments are reflective of annualised income returns over the year to 30 September 2025 based on the market value of investments 12 months earlier.

Note: the figures in Table 5 are from the balance sheet in the Council's statement of accounts, but adjusted to exclude operational cash, accrued interest and other accounting adjustments.

- 3.3. The CIPFA Treasury Management Code and government guidance both require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is therefore to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults alongside the risk of receiving unsuitably low investment income. The Council's

Treasury Management Strategy Statement (TMSS) sets out how it will manage and mitigate these risks.

- 3.4. As demonstrated by the liability benchmark in this report, the Council 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. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different asset classes and boost investment income.
- 3.5. 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 money market funds ranged between 4.00% and 4.10% by the end of September 2025.
- 3.6. The Council benchmarks the performance of its internally managed investments (excluding pooled funds) against that of other Arlingclose clients. Internally managed investments include all investments except externally managed pooled funds but do include Money Market Funds. The performance of these investments against relevant measures of security, liquidity and yield are shown in Table 6, providing data for the quarter ended 30 September 2025 and, for comparison, the end of the previous quarter at 30 June 2025.

Table 6: Investment benchmarking (excluding pooled funds)	Credit rating	Bail-in exposure	Weighted average maturity (days)	Rate of return
30.06.2025	AA-	57%	12	4.26%
30.09.2025	AA-	73%	31	4.07%
Similar LAs	AA-	64%	53	4.06%
All LAs	AA-	62%	11	4.06%

- 3.7. Table 6 shows the average credit rating of the portfolio has remained consistent and in line with other Arlingclose clients.

- 3.8. The average maturity of the portfolio has gone up modestly, reflecting the ability to look over a slighter longer time horizon for investments on the basis that cash is not required imminently. Bail-in risk has increased but can be attributed to the investment in unsecured Certificates of Deposit that are short in duration but offering sufficient diversification away from utilising bank deposit accounts and/or Money Market Funds (MMFs). It should be noted that the Money Market Funds utilised by the Council are themselves diversified and highly liquid and considered by Arlingclose to be bail-in 'light'. Whilst the rate of return has decreased over the quarter, this should be considered against the backdrop of cuts to interest rates.

Pooled funds update

- 3.9. £9.1m of the Council's investments are invested in externally managed strategic pooled equity and property funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. Over the 12 months to 30 September 2025, these funds generated an average total return of 8.87%, comprising a 5.22% income return which is used to support services in year, and 3.65% of unrealised capital gain. Over the holding period (just over 10 years), the Council's investments in pooled funds have contributed 3.95% income per year on average, which compares favourably in a period where base rates have generally been low.
- 3.10. The most notable market shock came early in the period when US President Trump announced his 'Liberation Day' tariffs on 2 April 2025, triggering sharp falls in global equity and bond markets. Sentiment improved once the US administration softened its stance and markets recovered relatively swiftly, although uncertainty lingered.
- 3.11. The gradual improvement in UK commercial property continued. Capital values recorded marginal gains, while total returns were driven largely by rental income.
- 3.12. Overall, while volatility was elevated throughout, most mainstream asset classes provided positive returns to investors over the first half of the 2025/26 financial year,

with equities leading the way and fixed income and property also making a positive contribution.

- 3.13. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's medium-to long-term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years and with the expectation that over a three- to five-year period total returns should exceed cash interest rates.
- 3.14. Further to consultations in April 2023 and December 2024 MHCLG wrote to finance directors in England in February 2025 regarding the statutory override on accounting for gains and losses in pooled investment funds. On the assumption that when published regulations follow this policy announcement, the statutory override will be extended up until the 1 April 2029 for investments already in place before 1 April 2024 (which would include all the Council's investments). The override will not apply to any new investments taken out on or after 1st April 2024.
- 3.15. The Council does not plan to make any further pooled fund investments, and whilst the unrealised loss at 30 September stood at £0.5m there is no intention at this stage to crystallise that through further divestment. It should also be noted that when divestment from some of the pooled funds took place in the summer of 2023, this resulted in a realised gain of £0.26m. This was subsequently added to the Treasury Management Reserve with the intention of mitigating against potential investment losses in the future.

6. NON-TREASURY INVESTMENTS

- 3.16. The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the council 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).

- 3.17. Investment Guidance issued by DLUHC (Department of Levelling Up, Housing and Communities, now MHCLG) also broadens the definition of investments to include all such assets held partially or wholly for financial return.
- 3.18. This could include loans made to local businesses or the direct purchase of land or property and such loans and investments will be subject to the Council's normal approval process for revenue and capital expenditure and need not comply with the treasury management strategy.
- 3.19. The Council's existing non-treasury investments at 31 March 2025 (the most recent valuation date) are listed in Table 7, noting that the annual rate of return is based on the actual income received for the preceding 12 months and not the annual contracted income due in place as at 31 March 2025, which may be different due, for example, to additional lettings, lease incentives and vacancies.

Table 7 – Non-treasury investments	31/03/25 Asset Value £m	31/03/25 Annual rate of return
Hythe Marina	2.946	6.48
Saxon Inn, Calmore	0.179	7.04
Meeting House Lane, Ringwood	0.213	-
New Milton Health Centre	2.489	5.51
Ampress Car Park, Lymington	1.926	4.97
The Parade Salisbury Road, Totton	1.510	5.98
Unit 1 Nova Business Park, New Milton	0.554	4.07
Drive -Thru Salisbury Road, Totton	1.405	4.71
Units 1-3 27 Salisbury Road, Totton	1.841	8.07
85 Station Road, New Milton	5.000	5.00
1b Junction Road, Totton	0.138	6.58
Unit 800 Ampress Park, Lymington	1.902	4.98
Platinum Jubilee Business Park, Ringwood	8.154	3.22
Total investment properties	28.256	4.92
Lymington Town Hall	3.271	3.46
Hardley Industrial Estate	6.388	3.54
Total income earning properties	9.659	3.51
Grand total	37.915	4.53

- 3.20. The Investment Property note within the Annual Financial Report gives further information on the net gains / losses and fair value movements.

7. COMPLIANCE REPORT

- 3.21. The Council confirms compliance of all treasury management activities undertaken during the year to date with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy.
- 3.22. Compliance with the authorised limit and operational boundary for external debt, is demonstrated in Table 8.

Table 8: Debt limits	2025/26 Maximum £m	30/9/25 Actual £m	2025/26 Operational Boundary £m	2025/26 Authorised Limit £m	Complied?
Borrowing	(134.1)	(119.9)	(213.9)	(233.5)	✓
Other long-term liabilities	0.0	0.0	0.0	0.0	✓
Total debt	(134.1)	(119.9)	(213.9)	(233.5)	✓

- 3.23. Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure. However, this limit was not breached during the financial year.

8. TREASURY MANAGEMENT INDICATORS

- 3.24. As required by the 2021 CIPFA Treasury Management Code, the Council measures and manages the following treasury management prudential indicators.

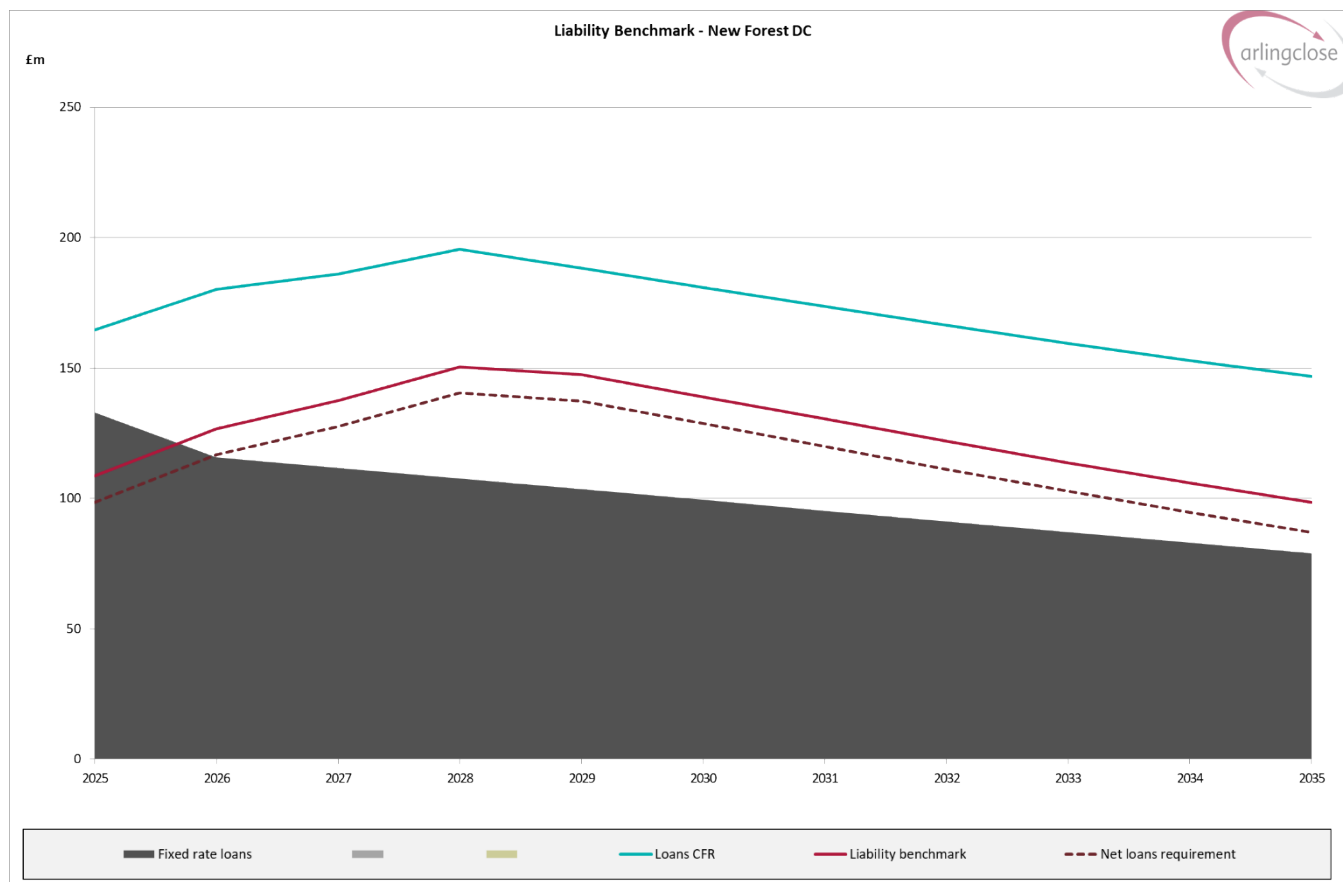
Liability benchmark

- 3.25. This indicator compares the Council's actual existing borrowing against a liability benchmark that has been

calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future and so shape its strategic focus and decision making. It represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

Table 9: Liability benchmark	31/03/25 Actual £m	31/03/26 Estimate £m	31/03/27 Forecast £m	31/03/28 Forecast £m
Loans CFR	164.6	182.1	190.1	197.1
Less: Balance sheet resources	(66.1)	(63.5)	(58.5)	(55.2)
Net loans requirement	98.5	118.6	131.6	141.9
Plus: Liquidity allowance	10.0	10.0	10.0	10.0
Liability benchmark	108.5	128.6	141.6	151.9
Existing borrowing	(132.9)	(115.8)	(111.7)	(107.6)

- 3.26. At the start of the period, 31 March 2025, the Council had a Loans CFR of £164.6m, external borrowing of £132.9m, balance sheet resources of £66.1m and a liability benchmark of £108.5m. The difference of £31.7m between the CFR and external borrowing is internal borrowing which is where the Council has used its own resources to fund its borrowing requirement.

Graph 1: Liability Benchmark (10 year view)

The full liability benchmark spanning 50 years is available at Annex A to this report.

- 3.27. The liability benchmark is the lowest level of debt the Council could hold if it used all of its balances, reserves and cash flow surpluses to fund its CFR. The liability benchmark graph is based on five years of data which explains why the Loans CFR line in Graph 1 continues to reduce past the initial five-year period – the diagram assumes that no new capital projects will begin after 2027/28, which is a very unlikely scenario but a reflection of the current horizon for capital expenditure forecasts.
- 3.28. The Council expects a positive liability benchmark across the forecast period, due to a rising CFR in combination with an expectation that balance sheet resources will drop, which generally means an authority is required to take external borrowing to fund the gap between its resources and the CFR.

3.29. The chart shows that it is expected that the external borrowing the Council has already arranged will not be sufficient, with it being below the minimum borrowing requirement, and so indicates that additional borrowing may be required to rectify this.

3.30. Unfortunately, a limitation of liability benchmarking is that the further out the forecast, the less it can be relied upon (particularly after 2028/29 after the end of the current capital expenditure forecast period) and so as time passes, the requirement to borrow may change and either may not be there for the whole period, or alternatively cash flow requirements that are not known about today may become present later which may require the Council to take additional external borrowing in the future.

Interest rate exposures

3.31. The following table shows the sensitivity of the Council's current investments and borrowing to a change in interest rates. Fixed rate investments maturing during the year are assumed to be variable for the remainder of the year.

Table 10: Interest rate exposures	30 September 2025 Actual £m	Impact of +/- 1% interest rate change £m
Sums subject to variable interest rates		
Investment	29.2	+/- 0.3
Borrowing	(4.1)	+/- (0.0)

3.32. Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

Maturity structure of borrowing

3.33. The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early

repayment of its investments. The prudential limits on the long-term treasury management limits are:

Table 11: Maturity structure of borrowing	30/09/25 Actual	Upper	Lower	Complied?
Under 12 months	3%	25%	0%	✓
12 months and within 24 months	3%	25%	0%	✓
24 months and within 5 years	10%	25%	0%	✓
5 years and within 10 years	17%	35%	0%	✓
10 years and above	66%	100%	0%	✓

3.34. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

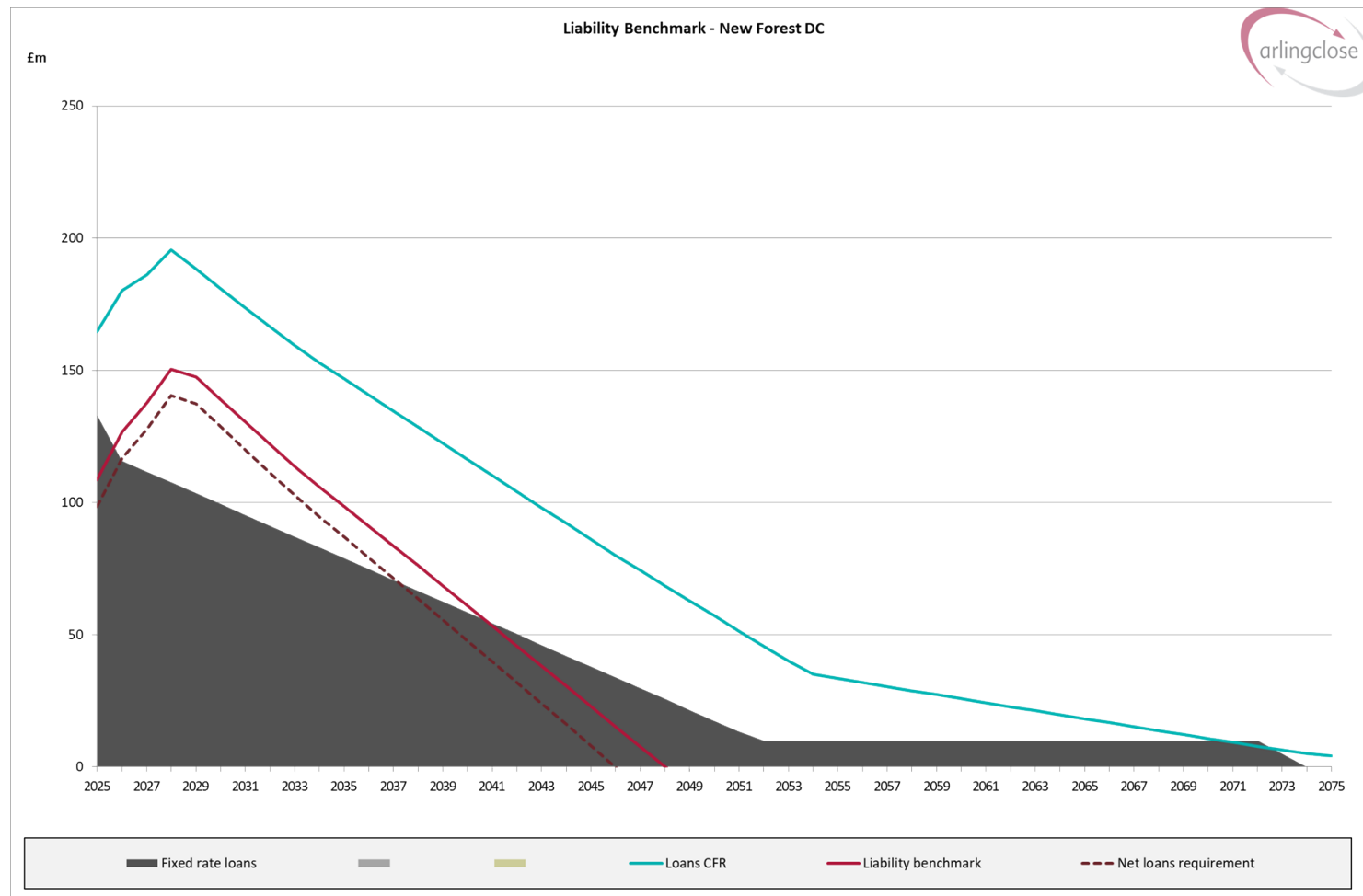
Long-term Treasury Management Investments

3.35. The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Table 12: Long-term Treasury Management Investments	2025/26	2026/27	2027/28	No fixed date
Actual principal invested beyond year end	-	-	-	£9.1m
Limit on principal invested beyond year end	£15m	£15m	£10m	£10m
Complied	✓	✓	✓	✓

3.36. Long-term investments with no fixed maturity date include strategic pooled funds but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

Annex A– 50 year Liability Benchmark graph



Annex B – Treasury Management Q1 indicators 2025/26

Table 13: Treasury Management Summary	31/03/25 Balance £m	Movement £m	30/06/25 Balance £m	30/06/25 Rate %
Long-term borrowing	(115.8)	0.0	(115.8)	3.52
Short-term borrowing	(17.1)	0.0	(17.1)	4.88
Total borrowing	(132.9)	0.0	(132.9)	3.69
Long-term investments	9.1	0.0	9.1	5.25
Short-term investments	2.0	12.0	14.0	4.34
Cash and cash equivalents	21.3	(5.4)	15.9	4.28
Total investments	32.4	6.6	39.0	4.53
Net treasury management borrowing	(100.5)	6.6	(93.9)	

Table 14: Liability benchmark	31/03/25 Actual £m	31/03/26 Estimate £m	31/03/27 Forecast £m	31/03/28 Forecast £m
Loans CFR	164.6	180.2	186.0	195.6
Less: Balance sheet resources	(66.1)	(63.5)	(58.5)	(55.2)
Net loans requirement	98.5	116.8	127.5	140.5
Plus: Liquidity allowance	10.0	10.0	10.0	10.0
Liability benchmark	108.5	126.8	137.5	150.5
Existing borrowing	(132.9)	(115.8)	(111.7)	(107.6)

Table 15: Interest rate exposures	30 June 2025 Actual £m	Impact of +/- 1% interest rate change £m
Sums subject to variable interest rates		
Investment	39.0	+/- 0.4
Borrowing	(17.1)	+/- (0.1)

Table 16: Maturity structure of borrowing	30/06/25 Actual	Upper	Lower	Complied?
Under 12 months	13%	25%	0%	✓
12 months and within 24 months	3%	25%	0%	✓
24 months and within 5 years	9%	25%	0%	✓
5 years and within 10 years	15%	35%	0%	✓
10 years and above	59%	100%	0%	✓

Table 17: Long-term Treasury Management Investments	2025/26	2026/27	2027/28	No fixed date
Actual principal invested beyond year end	-	-	-	£9.1m
Limit on principal invested beyond year end	£15m	£15m	£10m	£10m
Complied	✓	✓	✓	✓

Table 18: Debt limits	2025/26 Maximum £m	30/6/25 Actual £m	2025/26 Operational Boundary £m	2025/26 Authorised Limit £m	Complied?
Borrowing	(134.1)	(132.9)	(213.9)	(233.5)	✓
Other long-term liabilities	0.0	0.0	0.0	0.0	✓
Total debt	(134.1)	(132.9)	(213.9)	(233.5)	✓