

2025/26 Treasury Management Outturn Report as at 31st March 2026

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1. External market conditions

- 1.1. Economic background: The financial year was largely dominated by two periods of significant uncertainty and volatility. The first being the US trade tariff 'Liberation Day' in April 2025 and the second was the US/Israel war with Iran at the end of February 2026.
- 1.2. After the initial fallout from US trade tariffs, the following months saw some improvements as equity markets made gains and bond yields eased modestly. However, in the UK this trend in bond yields reversed somewhat as an uncertain economic outlook together with concerns around the government's fiscal position and autumn Budget saw 'term premia' rise as investors demanded a higher return for holding gilts
- 1.3. The Budget itself was more muted than had been expected. Despite a weak economic outlook, this helped UK markets perform better with gilt yields trending downwards, inflation easing, and expectations for cuts in Bank of England (BoE) Bank Rate increasing.
- 1.4. The end of February 2026 saw the start of the war between US/Israel and Iran. The conflict caused oil and other commodity prices to rise sharply as the shipping lanes in the region became effectively closed, restricting global oil supply. At the end of the period, the economic outlook remained highly uncertain in terms of its impact on inflation as well as countries' fiscal and monetary policy conditions around the globe.
- 1.5. Prior to the start of the war, headline UK consumer price inflation (CPI) inflation had generally been trending downwards, albeit the 3% in February 2026 was unchanged from January. Core CPI also stayed put at 3.1%. Inflation was expected to fall further over the coming months to the BoE's 2% target, but the war changed this. Inflation is now expected to rise again, but how quickly and by how much depends on the duration of the war and how long commodity prices are elevated.
- 1.6. The Office for National Statistics (ONS) reported the UK economy expanded by 0.1% in Q4 2025. This followed previous modest gains of 0.2% in Q2 and by 0.1% in Q3. Of the subsequent monthly figures, the ONS estimated that GDP showed no growth in January 2026. As this is from before the war started the impact on growth will not be seen formally in the data for a couple more months.
- 1.7. While the most recent labour market figures were slightly better than expected, the general trend has been one of persistent weakness. In the three months to January 2026, the unemployment rate rose to 5.2% (from 5.1%), while the employment rate held at 75.1%. Despite inflation being expected to rise in the coming months, labour market conditions remain loose and so any upward pressure on wages from general inflation is likely to be tempered by the weaker labour market environment.

- 1.8. After cutting Bank Rate to 3.75% in December 2025, the BoE's Monetary Policy Committee (MPC) voted 5-4 to hold rates in February 2026 and then unanimously to do so again in March. Until the war started, financial markets were expecting Bank Rate to be cut to 3.5% at the March meeting. However, the conflict in the Middle East quickly changed this. The MPC noted the risks to both inflation and growth and indicated they could move rates either up or down depending on the conditions. Financial markets quickly responded to this by pricing in rate hikes.
- 1.9. Following the March MPC meeting, Arlingclose, the authority's treasury adviser, revised its central interest rate view and now predicts Bank Rate will be held at 3.75%. However, the conflict makes the outlook for rates highly uncertain. In the short-term the risks are to the upside with the chance of higher Bank Rate should the MPC decide it wishes to quickly quash potential second-round effects from higher inflation. Further out, if Bank Rate is hiked quickly, the pace and magnitude of subsequent cuts could take it far lower than was previously anticipated as policymakers add significant stimulus to a much weaker economic growth outlook.
- 1.10. The US Federal Reserve had been cutting rates over the period, reducing Fed Funds Rate target range by 0.25% at its December meeting to 3.50%-3.75%. At the three subsequent meetings, the rate was held at the same range. Policymakers noted that while inflation was elevated, economic activity had been expanding but the war with Iran made the path of monetary policy highly uncertain. Despite this, the Fed still suggested that further rate cuts were likely in 2026 and 2027.
- 1.11. The European Central Bank (ECB) has kept its key interest rates on hold since June 2025, maintaining the deposit rate at 2.0% and main refinancing rate at 2.15%. At its March 2026 meeting, the ECB noted the war in the Middle East had significantly increased uncertainty, creating upside risks for inflation and downside risks for growth, leading it to revise up its forecasts accordingly.
- 1.12. **Financial markets:** After declining sharply early in the financial year following the announcement of US tariffs, sentiment in financial markets had improved but equity and bond markets remained volatile throughout. However, the latter part of the period was dominated by the US/Israel war with Iran, which saw equity markets fall sharply, and bond yields rise as concerns over the inflationary impact from sharply higher oil and other commodity prices outweighed the flight-to-quality into government bonds often seen in conflicts.
- 1.13. Equity markets had been registering gains after the declines during the April sell-off, but the war reversed this and markets saw another sharp drawdown. Both the FTSE 100 and 250 fell by around 10% over the month from the start of the conflict to the end of the financial year.
- 1.14. The period saw significant volatility in gilt yields. The 10-year UK benchmark gilt yield started the year at 4.65% and ended at 4.86%. However, over this time the 10-year yield hit a low of 4.23% and a high of 4.95% in the space of a month. It was a similar picture for the 20-year gilt which started at 5.18% and ended at 5.45% with a low and high of 4.92% and 5.55% respectively. The Sterling Overnight Rate (SONIA) averaged 4.01% over the 12 months to 31st March.
- 1.15. **Credit review:** Arlingclose maintained its recommended maximum unsecured duration limit on most of the banks on its counterparty list at 6 months. The other banks remain on 100 days.
- 1.16. Earlier in the period, Fitch upgraded NatWest Group and related entities to AA- from A+ and placed Clydesdale Bank's long-term A- rating on Rating Watch Positive. Fitch later upgraded Clydesdale Bank and HSBC, but downgraded Lancashire CC and Close Brothers.

- 1.17. Moody's affirmed OP Corporate's rating at Aa3 In May 2025. Later in the period, Moody's upgraded Transport for London, Allied Irish Banks, Bank of Ireland, Toronto-Dominion Bank, DZ Bank, Nordea and HSBC and downgraded Close Brothers. In the last quarter of 2025 S&P upgraded Clydesdale Bank, Allied Irish Banks and Bank of Ireland, and assigned Warrington Council a BBB+ rating.
- 1.18. After spiking in April 2025 following the US trade tariff announcements, UK credit default swap (CDS) prices had trended down before picking up modestly in October and November. After declining again in December and into the new calendar year, they rose sharply once again when the war in the Middle East started. They were still elevated at the end of the period, but prices for all banks on Arlingclose's counterparty list remained within limits deemed satisfactory for maintaining credit advice at current durations.
- 1.19. Overall, European banks' CDS prices have generally been flatter and lower compared to the UK, as have Singaporean and Australian lenders while some Canadian bank CDS prices have remained elevated since the beginning of the period in part due to ongoing trade tensions with the US.
- 1.20. Financial market volatility is expected to remain, and CDS levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remain under constant review.

2. Movement in Treasury balances

- 2.1. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available to offset the CFR or for investment.

Table 1: Balance Sheet Summary

Item	31 Mar 2025	30 Jun 2025	30 Sep 2025	31 Dec 2025	31 Mar 2026	Year on year Movement
General Fund CFR	209.6	216.0	216.0	226.8	226.8	17.2
Less: Other debt liabilities*	(1.9)	(1.9)	(1.9)	(1.9)	(1.8)	0.1
Borrowing CFR	207.7	214.1	214.1	224.9	225.0	17.3
Less: External borrowing	(202.3)	(208.2)	(179.2)	(182.8)	(197.6)	4.7
Net External borrowing	5.4	5.9	34.9	42.1	27.5	22.1
Less: Usable reserves	(25.3)	(25.3)	(35.2)	(25.5)	(42.5)	(17.2)
Less: Working capital	3.9	(17.6)	(11.4)	(28.6)	(2.7)	(6.6)
Net Investments	(16.0)	(37.0)	(11.7)	(12.0)	(17.7)	(1.7)

* finance leases, PFI liabilities and transferred debt that form part of the Authority's total debt

- 2.2. The Authority pursued its strategy of keeping borrowing and investments below their underlying levels for the final quarter, known as internal borrowing. Table 1 above highlights that at the end of the financial year the Authority was internally borrowed by £27.5m, meaning that reserves and working capital were being used first, prior to taking external borrowing.
- 2.3. During the final quarter, the Authority's investment balances ranged between £12.0m and £37.0m, reflecting timing differences between income receipts and expenditure. Over the full financial year, balances fluctuated between £11.0m and £48.0m.
- 2.4. The treasury management position at 31st March 2026 and the change during the year is shown in Table 2 below.

Table 2: Borrowing and Investment Summary

Item	31 Mar 2025 Balance £m	31 Mar 2025 Rate %	Movement	31 Mar 2026 Balance £m	31 Mar 2026 Rate %
Long-term borrowing	138.7	3.50	0.2	138.9	3.51
Short-term borrowing	63.6	4.90	(4.9)	58.7	4.39
Total borrowing	202.3	3.9	(4.7)	197.6	3.77
Long-term investments	0.0	N/A	0.0	0.0	N/A
Short-term investments	(3.0)	5.09	0.0	(3.0)	4.02
Pooled Funds	(4.0)	5.42	0.0	(4.0)	5.39
Cash and cash equivalents	(9.0)	Included in ST above	(1.7)	(10.7)	Included in ST above
Total investments	(16.0)	5.17	(1.7)	(17.7)	4.33
Net Borrowing	186.3		(6.4)	179.9	

3. Borrowing activity during the year

- 3.1. The Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio and, where practicable, to maintain borrowing and investments below their underlying levels, known as internal borrowing.
- 3.2. Gilt yields slightly decreased over most of the period, reflecting expectations of lower interest rates, a tepid economy and, to some extent, an improvement in the UK government's fiscal position following tax rises in the autumn Budget. Subsequent to the war in the Middle East, however, gilt yields rose rapidly to above the level at the beginning of the financial year.
- 3.3. The PWLB certainty rate for 10-year maturity loans was 5.38% at the beginning of the period and 5.72% at the end. The lowest available 10-year maturity certainty rate was 5.13% and the highest was 5.88%. Rates for 20-year maturity loans ranged from 5.71% to 6.37% during the

period, and 50-year maturity loans from 5.46% to 6.24%. The cost of short-term borrowing from other local authorities has been similar to or a little above Base Rate for most of the period, with interest rates between 4.0% and 4.5%. However, as is commonly seen, rates rose higher towards the end of the financial year, with rates of 5.0% - 7.0% being seen.

- 3.4. 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 local authorities to make any investment or spending decision that will increase the capital financing requirement and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes. The Authority has no new plans to borrow to invest primarily for financial return.
- 3.5. The Authority's short-term borrowing costs declined over the year, reflecting reductions in the Base Rate and short-dated market rates, before a modest increase in the final quarter. The average rate on the Authority's short-term loans at 31st March 2026 on £58.7m was 4.39%, this compares with 4.36% on £54.4m loans 3 months ago and 4.90% on £63.6m at 31st March 2025.
- 3.6. At 31st March 2026 the Authority held £197.6m of loans, a decrease of £4.6m year-on-year, as a greater proportion of internal reserves and working capital was used to fund the capital financing requirement. Outstanding loans are summarised in Table 3 below.

Table 3: Borrowing Position

Lender	31 Mar 2025 Balance £m	31 Mar 2025 Weighted Average Rate %	31 Mar 2025 Weighted Average Maturity (years)	Balance Movement £m	31 Mar 2026 Balance £m	31 Mar 2026 Weighted Average Rate %	31 Mar 2026 Weighted Average Maturity (years)
Public Works Loan Board	145.5	3.7	17.0	13.2	158.7	3.7	15.2
Banks (LOBO)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Welsh Gov Interest Free	6.7	0.0	2.7	(0.8)	5.9	0.0	2.4
Local authorities /Other	50.0	5.3	0.4	(17.0)	33.0	4.7	0.1
Total borrowing	202.3	3.9	12.4	(4.6)	197.6	3.77	12.3

- 3.7. The Authority's chief objective when borrowing remains to strike an appropriately low risk balance between securing low 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.

- 3.8. To that end, during the year some short-term borrowing was replaced with long-term PWLB borrowing at competitive rates of interest.

Table 4: Long-dated Loans borrowed

Loan	Amount £m	Rate %	Period (years)
PWLB EIP Loan – 14/04	3.0	4.51	5.0
PWLB EIP Loan – 14/10	5.0	4.85	9.5
PWLB EIP Loan – 22/10	3.0	4.67	10.0
PWLB EIP Loan – 14/01	5.0	4.67	9.0
PWLB Maturity – 10/03	7.0	4.59	1.17
Total	23.0		

- 3.9. 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.
- 3.10. The Authority currently holds commercial investments that were purchased prior to the change in the CIPFA Prudential Code. The Authority is not planning to purchase any investment assets primarily for yield within the next three years and so is able to access PWLB borrowing if considered cost effective.

4. Investment activity

- 4.1. The CIPFA Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (revised in 2021) 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.
- 4.2. The Authority holds significant invested funds during the year, representing income received in advance of expenditure plus balances and reserves held. During the year, the Authority's investment balances ranged from between £11.0m and £48.0m due to timing differences between income and expenditure. The investment position at the end of the year was:

Table 6: Treasury Investment Position

Investment Type	31 Mar 2025 Balance £m	Net Movement £m	31 Mar 2026 Balance £m	31 Mar 2026 Income Return %	31 Mar 2026 Weighted Average Maturity (Days)
Banks & building societies (unsecured)	(2.0)	0.0	(2.0)	Average 4.02% (5.09% 24/25)	Up to 180 days
Government (incl. local authorities)	(3.0)	0.0	(3.0)		
Money Market Funds (MMFs)	(7.0)	(1.7)	(8.7)		
Multi asset income, Pooled funds	(4.0)	0.0	(4.0)	5.39% (5.42% 24/25)	N/A
Total investments	(16.0)	(1.7)	(17.7)	4.33% (5.17% 24/25)	

- 4.3. Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 4.4. 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. The existing portfolio of strategic pooled fund investments are maintained to diversify risk into different asset classes and mitigate the inflationary impact of holding cash balances.
- 4.5. Bank Rate reduced from 4.50% to 4.25% in May 2025, followed by a further reduction to 4.00% in August 2025 and to 3.75% in December 2025 where it remained until year end. Short term interest rates have largely followed these levels. The rates on DMADF deposits ranged between 3.70% and 4.45% and money market rates between 3.67% and 4.57%.
- 4.6. The combination of risk and return metrics are shown in the extracts from the Arlingclose quarterly investment benchmarking in the table below.

Table 7: Investment Benchmarking – Treasury investments managed in-house

Comparator	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return %
MCC 31 Mar 2025	A+	4.50	75%	3	4.18
MCC 31 Mar 2026	A+	4.51	78%	20	4.33

Similar LAs	AA-	4.38	40%	105	4.12
All LAs	A+	4.60	64%	10	4.18

- 4.7. **Externally Managed Pooled Funds:** £4m of the Authority's investments are invested in externally managed strategic pooled multi-asset and property funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and longer-term price stability.
- 4.8. These funds provide important diversification for the Authority and have generated a £222k (5.39%) income return, together with a £209k (5.08%) unrealised capital gain during the year.
- 4.9. Accumulated unrealised capital losses over the lifetime of the investment stand at £178k. The Authority maintains an adequate treasury risk reserve to mitigate against the risk that capital losses on pooled funds become realised and consequently result in a charge against the Council Fund.
- 4.10. 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 Authority'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 over months, quarters and even years, but with the confidence that over the longer term total returns will exceed cash interest rates.
- 4.11. **Statutory override:** The statutory override on accounting for gains and losses in pooled investment funds has been extended up until the 1st April 2029 for investments already in place before 1st April 2024. The override does not apply to any new investments taken out on or after 1st April 2024. The Authority maintains a treasury management risk reserve which currently holds £590,000 to mitigate the impact of such risks materialising.
- 4.12. **Minimum Revenue Provision (MRP):** Legislation has been passed giving the Authority the option, but not the obligation, to reduce the MRP charge for the forthcoming financial year 2026/27. Nil MRP, or MRP lower than what would be considered the normal minimum charge, is allowable for this year only. Any MRP not made in 2026/27 must be made over a maximum of 10 future years. In view of the overall balanced budget set for 2026/27, alongside the implication of higher MRP costs in subsequent years the Authority has decided not to use this provision.
- 4.13. **Market update:**
- 4.14. During the 2025/26 financial year, financial markets were characterised by generally positive risk asset performance for much of the period, but with significant volatility, particularly at the beginning and end of the year. The period was effectively bookended by market disruption associated with US trade and foreign policy, initially following the announcement of US 'Liberation Day' tariffs in April 2025 and then, towards the year end, by the escalation of the US and Israel conflict with Iran in March 2026. Between these two episodes, market sentiment improved as inflation generally eased and expectations for further interest rate cuts increased, supporting both bond and equity markets
- 4.15. For much of the year, the backdrop for government bonds became more constructive than had been the case in recent years. In the UK in particular, falling inflation and growing expectations of further Bank of England rate cuts supported sentiment, although yields remained volatile as investors also had to contend with fiscal concerns and an uncertain economic outlook. As a

result, income returns remained attractive, while capital values were more variable. By the final quarter, however, the rise in oil and other commodity prices caused by the conflict with Iran raised concerns that inflation could move higher again and that further monetary easing could be delayed or even reversed, leading to renewed pressure on bond markets.

- 4.16. Equity markets also recovered well from the tariff-related weakness seen early in the financial year, supported by improving sentiment around inflation and interest rates, resilient corporate earnings and continued enthusiasm for artificial intelligence-related investment. AI remained a dominant theme in global equity markets throughout the year, although there was also concern that valuations in parts of the market had become too stretched and that an AI-driven bubble could unwind. Despite these concerns, equity markets generally made gains through much of the period before the deterioration in sentiment at the year-end as geopolitical risks intensified. For strategic pooled investments, this meant capital values were supported for much of the year, while income distributions continued to provide an important component of total return.
- 4.17. UK commercial property experienced a more stable backdrop than in the most difficult period following the sharp rise in yields in 2022 and 2023. Lower interest rate expectations and a firmer tone in markets for much of the year helped support valuations, although capital values were broadly flat overall. Income remained the main driver of returns, with rental income providing a relatively resilient contribution. However, as with other asset classes, the environment became more uncertain towards the end of the period.

5. Environmental, Social and Governance

- 5.1. During the first half of the year, the Council reviewed its investment portfolio against three voluntary ESG charters. During the year, the Net Zero Asset Managers (NZAM) initiative has suspended its activities and revised its commitment statement, removing binding requirements and reducing transparency for investors. In response the Council decided to no longer use NZAM as a formal criterion when assessing potential investments, while continuing to monitor future developments. The charters are shown in the table below:

Table 8: ESG Charter Signatories

	UN Principles for Responsible Investment	UK Stewardship Code 2020	Net-Zero Asset Managers Initiative (No longer applicable)**
Aberdeen Asset Liquidity	✓	✓	(NLA)
Aegon	✓	✓	(NLA)
CCLA Investment Management	✓	✓	(NLA)
Federated (Prime Rate) Liquidity Fund	✓	✓	(NLA)
HSBC Global Asset Management	✓	✓	(NLA)
LEGAL AND GENERAL MMF	✓	✓	(NLA)
Ninety-One	✓	✓	(NLA)
STATE STREET	✓	✓	(NLA)
Morgan Stanley	✓	✓	(NLA)
Goldman Sachs	✓	✓	(NLA)

5.2. At 31st March 2026, the Authority's ESG-specific Money Market Fund returned 3.68% compared to an average rate of 3.77% for all Money Market Funds.

6. Non-Treasury Investments

- 6.1. The definition of investments in CIPFA's revised 2021 Treasury Management Code covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return.
- 6.2. 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).
- 6.3. Investment Guidance issued by MHCLG and Welsh Government also broadens the definition of investments to include all such assets held partially or wholly for financial return.
- 6.4. The Authority held a net book value of £28.19m of such non-financial asset investments at the 31st March 2025 (£31.1m as at 31st March 2024) made up of:

	(Surplus) / deficit 2025/26 £000's	Carrying Value 31 Mar 2026 £000's	Return 2025/26 %	Return 2024/25 %
Oak Grove Solar Farm	(474)	5,785	8.47	5.25
Newport Leisure Park & service loan	(266)	15,616	1.70	1.41
Castlegate Business Park	286	6,784	-4.22	-7.56
Total	(454)	28,185	1.61	1.06

- 6.5. These investments continue to represent an important income diversification for the Council and contribute towards the overall funding of services.
- 6.6. A more detailed report on the performance of these investments is periodically reported to the Performance & Overview Scrutiny Committee.
- 6.7. The Authority also holds a portfolio of legacy non-financial asset investments that have been held for over a decade and are retained for income generation, capital gain, or to support wider economic development or broader policy objectives. These include agricultural, retail and industrial assets where the return on investment is a secondary consideration.

7. Treasury performance

- 7.1. The Authority measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates, as shown in table 9 below.

Table 9: Budget performance

	31 Mar 2026 £000's	Budget £000's	Over / (under) Budget £000's
Interest Payable			
PWLB	5,576	4,931	644
Market loans	0	0	0
Short term loans	1,847	2,538	(690)
Other Activities (Internal Arrangements)	161	155	6
Total Interest payable on borrowing	7,584	7,624	(40)
Interest Receivable			
Invested cash short term	(1,059)	(788)	(271)
Pooled Funds	(194)	Included above	(194)
Finance lease income	(50)	Included above	(50)
Total income from Investments	(1,303)	(788)	(515)
Total	6,281	6,836	(555)

8. Compliance with treasury limits and indicators

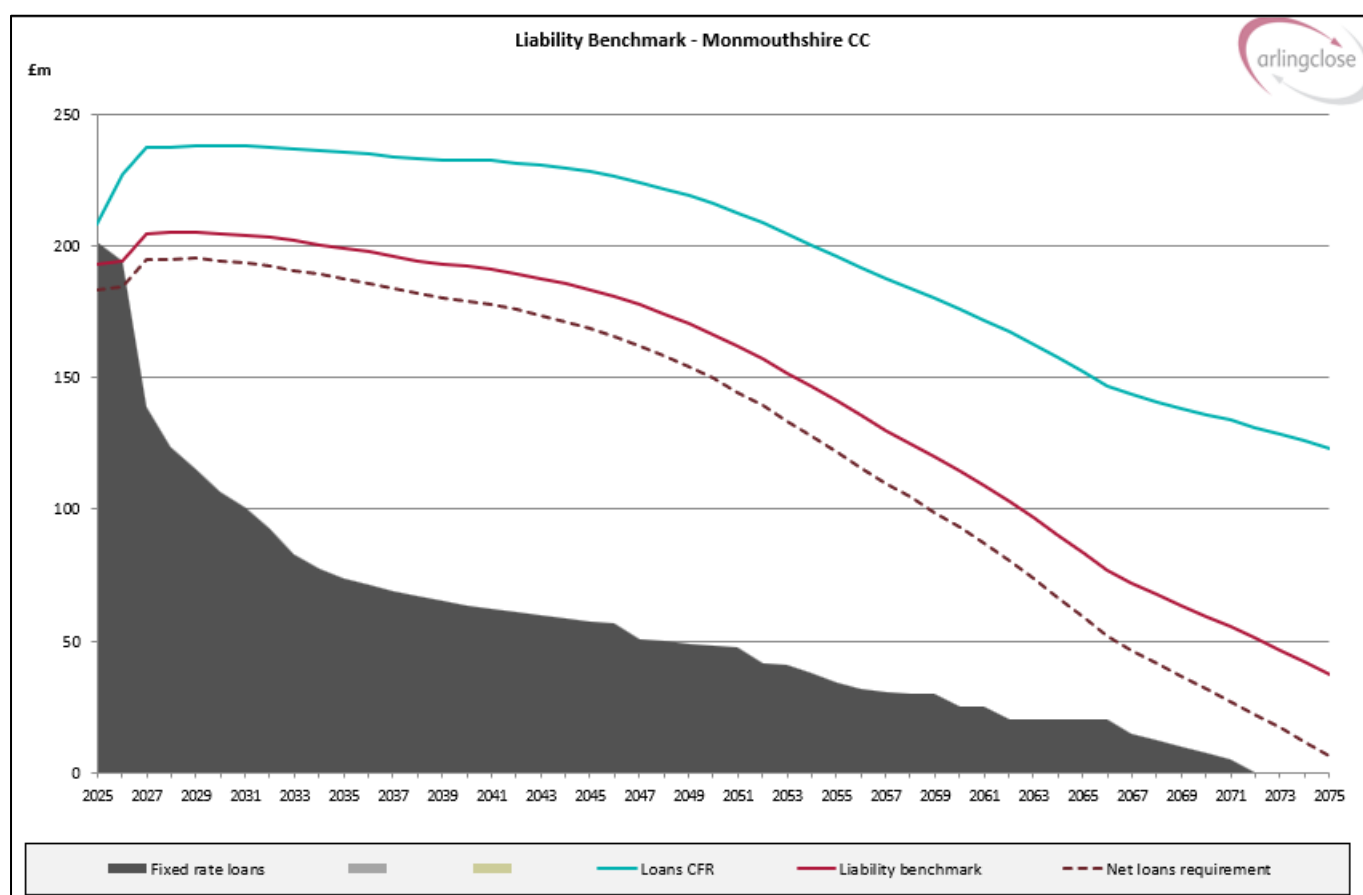
- 8.1. The Section 151 officer reports that all treasury management activities undertaken during the year complied fully with the CIPFA code and the limits and indicators as set out in the Authority's approved Treasury Management Strategy.
- 8.2. **Liability Benchmark:** This indicator compares the Authority's 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 10: Liability Benchmark

	31 Mar 2025 Actual	31 Mar 2026 Actual	31 Mar 2027 Forecast	31 Mar 2028 Forecast	31 Mar 2029 Forecast
Loans CFR	207.7	226.8	237.1	237.5	237.7

Less: Balance sheet resources	(5.4)	(39.2)	(42.5)	(42.5)	(42.5)
Net loans requirement	202.3	187.6	194.6	195.0	195.2
Plus: Liquidity allowance	0.0	10.0	10.0	10.0	10.0
Liability benchmark	202.3	197.6	204.6	205.0	205.2
Current loan profile	(202.3)	(197.6)	(127.5)	(119.8)	(112.1)
Borrowing requirement	0.0	(0.0)	77.1	85.2	93.1

- 8.3. This indicates that, if capital plans remain accurate, the Council will have a borrowing requirement over the medium term of £93.1m. This projection forms the basis for future borrowing strategy and will be a consideration should any value loan opportunities present themselves in the market.
- 8.4. Following on from the medium-term forecast above, the long-term liability benchmark assumes capital expenditure funded by borrowing is in line with the medium-term financial plan, minimum revenue provision on new capital expenditure is based on the annuity method, and expenditure and reserves all increasing by inflation of 2.5% p.a. This is shown in the chart below together with the maturity profile of the Authority's existing borrowing.



- 8.5. The gap between the dotted red line and the grey shaded area of the chart represents the forecast difference between the estimated borrowing requirement and the Council's current loans profile. If capital expenditure plans remain accurate, the gap represents a borrowing requirement which will need to be met by new and replacement loans over time.
- 8.6. **Borrowing limits:** Compliance with the [authorised limit](#) and [operational boundary](#) for external debt is demonstrated in the table below.

Table 11: Borrowing Limits

	2025/26 Maximum during the year £m	31 Mar 2026 Actual £m	2025/26 Operational Boundary £m	2025/26 Authorised Limit £m	Complied? Yes/No
Borrowing	211.6	197.6	248.2	263.6	Yes
PFI, Finance Leases & Other LT liabs	1.96	1.76	17.8	18.8	Yes
Total debt	213.56	199.36	266.0	282.4	Yes

- 8.7. **Note:** 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.
- 8.8. **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:

Table 12: Maturity Structure of borrowing

Maturity	31 Mar 2026 Actual	Lower Limit	Upper Limit	Complied?	31 Mar 2025 Actual (For comparison)
Under 12 months	30%	0%	50%	Yes	31%
12 months and within 24 months	8%	0%	30%	Yes	10%
24 months and within 5 years	12%	0%	30%	Yes	10%
5 years and within 10 years	15%	0%	30%	Yes	12%
10 years and within 20 years	7%	0%	30%	Yes	9%
20 years and within 30 years	12%	0%	30%	Yes	11%

30 years and within 40 years	6%	0%	30%	Yes	7%
40 years and within 50 years	10%	0%	30%	Yes	10%
50 years and above	0%	0%	30%	Yes	0%

Table 13: Investment Limits

	Maximum in year	2025/26 Limit	Complied? Yes/No
The UK Government	£23.5m	Unlimited	Yes
Local Authorities per counterparty	£0m	£4m	Yes
Secured Investments	£0m	£4m	Yes
Banks per counterparty, rating A- or above	£2m (£3m total for the Councils operational bank)	£2m (£3m total for the Councils operational bank)	Yes
Building societies (unsecured)	£0m	£2m	Yes
Registered providers (e.g. Housing Associations (unsecured)	£0m	£2m	Yes
Money Market Funds	£4m	£4m	Yes
Any group of pooled funds under the same management	£2m	£5m	Yes
Real estate investment trusts	£0m	£5m	Yes
Other Investments	£0m	£2m	Yes

- 8.9. **Security:** The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating and credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Table 14: Credit Risk

	31 Mar 2026 Actual	2025/26 Target	Complied?
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Portfolio average credit	A+/4.51	A-/5.0	Yes
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8.10. **Principal Sums Invested for Periods Longer than a year:** The purpose of this indicator is to control the Authority'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 were:

Table 15: Principal invested for period longer than a year

	During 2025/26
Actual principal invested for 365 days & beyond year end	£0m
Limit	£5m
Complied?	Yes

8.11. For context, the changes in interest rates during the year were:

	31 Mar 2025	31 Mar 2026
Bank Rate	4.50%	3.75%
1-year PWLB certainty rate, maturity loans	4.82%	5.04%
5-year PWLB certainty rate, maturity loans	4.94%	5.28%
10-year PWLB certainty rate, maturity loans	5.38%	5.72%
20-year PWLB certainty rate, maturity loans	5.88%	6.23%
50-year PWLB certainty rate, maturity loans	5.63%	6.08%

Background paper: Glossary of Treasury Terms

Authorised Limit	The affordable borrowing limit determined in compliance with the Local Government Act 2003 (English and Welsh authorities) and the Local Government in Scotland Act 2003. This Prudential Indicator is a statutory limit for total external debt. It is set by the Authority and needs to be consistent with the Authority's plans for capital expenditure financing and funding. The Authorised Limit provides headroom over and above the <i>Operational Boundary</i> to accommodate expected cash movements. Affordability and prudence are matters which must be taken into account when setting this limit. (see also <i>Operational Boundary</i>, below)
Balances and Reserves	Accumulated sums that are maintained either earmarked for specific future costs or commitments or generally held to meet unforeseen or emergency expenditure.
Bail-in	Refers to the process which the banking regulatory authorities will use to restructure a financial institution which is failing or likely to fail. Unsecured creditors of and investors in that financial institution will participate in its restructure who will, as a consequence, incur a non-recoverable loss (commonly referred to as a 'haircut') on their obligation/investment. Local authority investments with banks and building societies such as term deposits, certificates of deposit, call accounts and non-collateralised bonds are unsecured investments and are therefore vulnerable to bail-in.
Bank Rate	The official interest rate set by the Bank of England's Monetary Policy Committee and what is generally termed at the "base rate". This rate is also referred to as the 'repo rate'.
Bond	A certificate of debt issued by a company, government, or other institution. The bond holder receives interest at a rate stated at the time of issue of the bond. The price of a bond may vary during its life.
Capital Expenditure	Expenditure on the acquisition, creation or enhancement of capital assets
Capital Financing Requirement (CFR)	The Council's underlying need to borrow for capital purposes representing the cumulative capital expenditure of the local authority that has not been financed.
Capital growth	Increase in the value of the asset (in the context of a collective investment scheme, it will be the increase in the unit price of the fund)
Capital receipts	Money obtained on the sale of a capital asset.
CIPFA	Chartered Institute of Public Finance and Accountancy

Constant Net Asset Value (CNAV)	Also referred to as Stable Net Asset Value. A term used in relation to the valuation of 1 share in a fund. This means that at all times the value of 1 share is £1/€1/US\$1 (depending on the currency of the fund). The Constant NAV is maintained since dividend income (or interest) is either added to the shareholders' account by creating shares equal to the value of interest earned or paid to the shareholder's bank account, depending on which option is selected by the shareholder.
Collective Investment Schemes	Funds in which several investors collectively hold units or shares. The assets in the fund are not held directly by each investor, but as part of a pool (hence these funds are also referred to as 'Pooled Funds'). Unit Trusts and Open-Ended Investment Companies are types of collective investment schemes / pooled funds.
Corporate Bonds	Corporate bonds are bonds issued by companies. The term is often used to cover all bonds other than those issued by governments in their own currencies and includes issues by companies, supranational organisations and government agencies.
Corporate Bond Funds	Collective Investment Schemes investing predominantly in bonds issued by companies and supranational organisations.
CPI <i>Also see RPI</i>	Consumer Price Index. (This measure is used as the Bank of England's inflation target.)
Credit Default Swap (CDS)	A Credit Default Swap is similar to an insurance policy against a credit default. Both the buyer and seller of a CDS are exposed to credit risk. Naked CDS, i.e. one which is not linked to an underlying security, can lead to speculative trading.
Credit Rating	Formal opinion by a registered rating agency of a counterparty's future ability to meet its financial liabilities; these are opinions only and not guarantees.
Cost of carry	When a loan is borrowed in advance of requirement, this is the difference between the interest rate and (other associated costs) on the loan and the income earned from investing the cash in the interim.
Credit default swaps	Financial instrument for swapping the risk of debt default; the buyer effectively pays a premium against the risk of default.
Diversification / diversified exposure	The spreading of investments among different types of assets or between markets in order to reduce risk.
Derivatives	Financial instruments whose value, and price, are dependent on one or more underlying assets. Derivatives can be used to gain exposure to, or to help protect against, expected changes in the value of the underlying investments. Derivatives may be traded on a regulated exchange or traded 'over the counter'.
ECB	European Central Bank
Federal Reserve	The US central bank. (Often referred to as "the Fed")
Floating Rate Notes	A bond issued by a company where the interest rate paid on the bond changes at set intervals (generally every 3 months). The rate of interest is linked to LIBOR and may therefore increase or decrease at each rate setting

GDP	Gross domestic product – also termed as “growth” in the economy. The value of the national aggregate production of goods and services in the economy.
General Fund	This includes most of the day-to-day spending and income. (All spending and income related to the management and maintenance of the housing stock is kept separately in the HRA).
Gilts (UK Govt)	Gilts are bonds issued by the UK Government. They take their name from ‘gilt-edged’: being issued by the UK government, they are deemed to be very secure as the investor expects to receive the full face value of the bond to be repaid on maturity.
Housing Revenue Account (HRA)	A ring-fenced account of all housing income and expenditure, required by statute
IFRS	International Financial Reporting Standards
Income Distribution	The payment made to investors from the income generated by a fund; such a payment can also be referred to as a ‘dividend’
Investments - Secured - unsecured	Secured investments which have underlying collateral in the form of assets which can be called upon in the event of default Unsecured investments do not have underlying collateral. Such investments made by local authorities with banks and building societies are at risk of bail-in should the regulator determine that the bank is failing or likely to fail.
Liability Benchmark	Term in CIPFA’s Risk Management Toolkit which refers to the minimum amount of borrowing required to keep investments at a minimum liquidity level (which may be zero).
LOBOs	LOBO stands for ‘Lender’s Option Borrower’s Option’. The underlying loan facility is typically long term and the interest rate is fixed. However, in the LOBO facility the lender has the option to call on the facilities at predetermined future dates. On these call dates, the lender can propose or impose a new fixed rate for the remaining term of the facility and the borrower has the ‘option’ to either accept the new imposed fixed rate or repay the loan facility.
LVNAV (Low Volatility Net Asset Value)	From 2019 Money Market Funds will have to operate under a variable Net Value Structure with minimal volatility (fluctuations around £1 limited to between 99.8p to 100.2p)
Maturity	The date when an investment or borrowing is repaid.
Maturity profile	A table or graph showing the amount (or percentage) of debt or investments maturing over a time period. The amount or percent maturing could be shown on a year-by-year or quarter-by-quarter or month-by-month basis.
MiFID II	MiFID II replaced the Markets in Financial Instruments Directive (MiFID I) from 3 January 2018. It is a legislative framework instituted by the European Union to regulate financial markets in the bloc and improve protections for investors.
Money Market Funds (MMF)	Pooled funds which invest in a range of short term assets providing high credit quality and high liquidity.

Minimum Revenue Provision	An annual provision that the Authority is statutorily required to set aside and charge to the Revenue Account for the repayment of debt associated with expenditure incurred on capital assets
Non-Specified Investments	Term used in the Communities and Local Government Guidance and Welsh Assembly Guidance for Local Authority Investments. It includes any investment for periods greater than one year or those with bodies that do not have a high credit rating, use of which must be justified.
Net Asset Value (NAV)	A fund's net asset value is calculated by taking the current value of the fund's assets and subtracting its liabilities.
Operational Boundary	This is the limit set by the Authority as its most likely, i.e. prudent, estimate level of external debt, but not the worst case scenario. This limit links directly to the Authority's plans for capital expenditure, the estimates of the Capital Financing Requirement (CFR) and the estimate of cashflow requirements for the year.
Permitted Investments	Term used by Scottish Authorities as those the Authority has formally approved for use.
Pooled funds	See Collective Investment Schemes (above)
Premiums and Discounts	In the context of local authority borrowing, (a) the premium is the penalty arising when a loan is redeemed prior to its maturity date and (b) the discount is the gain arising when a loan is redeemed prior to its maturity date. If on a £1 million loan, it is calculated* that a £100,000 premium is payable on premature redemption, then the amount paid by the borrower to redeem the loan is £1,100,000 plus accrued interest. If on a £1 million loan, it is calculated that a £100,000 discount receivable on premature redemption, then the amount paid by the borrower to redeem the loan is £900,000 plus accrued interest. PWLB premium/discount rates are calculated according to the length of time to maturity, current market rates (plus a margin), and the existing loan rate which then produces a premium/discount dependent on whether the discount rate is lower/higher than the coupon rate. *The calculation of the total amount payable to redeem a loan borrowed from the Public Works Loans Board (PWLB) is the present value of the remaining payments of principal and interest due in respect of the loan being repaid prematurely, calculated on normal actuarial principles. More details are contained in the PWLB's lending arrangements circular.
Private Finance Initiative (PFI)	Private Finance Initiative (PFI) provides a way of funding major capital investments, without immediate recourse to the public purse. Private consortia, usually involving large construction firms, are contracted to design, build, and in some cases manage new projects. Contracts can typically last for 30 years, during which time the asset is leased by a public authority.
Prudential Code	Developed by CIPFA and introduced on 01/4/2004 as a professional code of practice to support local authority capital investment planning within a clear, affordable, prudent and sustainable framework and in accordance with good professional practice.
Prudential Indicators	Indicators determined by the local authority to define its capital expenditure and asset management framework. They are designed to support and record local decision making in a manner that is publicly accountable; they are not intended to be comparative performance indicators between authorities.

PWLB	Public Works Loans Board. It is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. The PWLB's function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.
Quantitative Easing	In relation to the UK, it is the process used by the Bank of England to directly increase the quantity of money in the economy. It "does not involve printing more banknotes. Instead, the Bank buys assets from private sector institutions – that could be insurance companies, pension funds, banks or non-financial firms – and credits the seller's bank account. So the seller has more money in their bank account, while their bank holds a corresponding claim against the Bank of England (known as reserves). The end result is more money out in the wider economy". Source: Bank of England
Registered Provider of Social Housing	Formerly known as Housing Association
Revenue Expenditure	Expenditure to meet the continuing cost of delivery of services including salaries and wages, the purchase of materials and capital financing charges
RPI	Retail Prices Index. A monthly index demonstrating the movement in the cost of living as it tracks the prices of goods and services including mortgage interest and rent. Pensions and index-linked gilts are uprated using the CPI index.
SORP	Statement of Recommended Practice for Accounting (Code of Practice on Local Authority Accounting in the United Kingdom).
Specified Investments	Term used in the CLG Guidance and Welsh Assembly Guidance for Local Authority Investments. Investments that offer high security and high liquidity, in sterling and for no more than 1 year. UK government, local authorities and bodies that have a high credit rating.
Supported Borrowing	Borrowing for which the costs are supported by the government or third party.
Supranational Bonds	Instruments issued by supranational organisations created by governments through international treaties (often called multilateral development banks). The bonds carry an AAA rating in their own right. Examples of supranational organisations are those issued by the European Investment Bank, the International Bank for Reconstruction and Development.
Treasury Management Code	CIPFA's Code of Practice for Treasury Management in the Public Services.
Temporary Borrowing	Borrowing to cover peaks and troughs of cash flow, not to fund spending.
Term Deposits	Deposits of cash with terms attached relating to maturity and rate of return (interest)
Unsupported Borrowing	Borrowing which is self-financed by the local authority. This is also sometimes referred to as Prudential Borrowing.
Usable Reserves	Resources available to finance future revenue and capital expenditure
Variable Net Asset Value (VNAV)	A term used in relation to the valuation of 1 share in a fund. This means that the net asset value (NAV) of these funds is calculated daily based on market prices.

Working Capital	Timing differences between income/expenditure and receipts/payments
Yield	The measure of the return on an investment instrument