

REPORT TO:		CABINET	
DATE:		24 th June 2026	
PORTFOLIO:		Councillor Vanessa Alexander – Resources & Council Operations	
REPORT AUTHOR:		C Worthington – Principal Accountant / A Martin – Principal Accountant Amanda Fox – Head of Finance	
TITLE OF REPORT:		Prudential Indicators Monitoring and Treasury Management Strategy Update – Quarter 4 2025/26	
EXEMPT REPORT:	No		
KEY DECISION:	No	If yes, date of publication:	

1. PURPOSE OF REPORT

1.1 This report updates Cabinet on the Treasury Management provisional outturn position for 2025/26.

2. RECOMMENDATION(S)

2.1 To note the Treasury Management activities provisional outturn position for 2025/26.

3. REASONS FOR RECOMMENDATION(S)

3.1 To keep Cabinet updated on the Treasury Management activities during the year.

4. BACKGROUND

4.1 The *Prudential Code for Capital Finance in Local Authorities* requires the Council to set Prudential Indicators annually for the forthcoming three years to demonstrate that the Council's capital investment plans are affordable, prudent, and sustainable. The Council adopted its prudential indicators for 2025/2026 at its meeting in February 2025.

4.2 The Prudential Code requires the Council, having agreed at least a minimum number of mandatory prudential indicators (including limits and statements), to monitor them - in a locally determined format on a quarterly basis.

4.3 The indicators are purely for internal use and not designed to be used as comparators between authorities. If it should be necessary to revise any of the indicators during the year, the Executive Director (Resources) will report and advise the Council further.

4.4 ‘*Treasury Management*’ relates to the borrowing, investing and cash activities of the authority, and the effective management of any associated risks. In February 2025 in the same report referred to at 4.1 above the Council also set out and then approved its current Treasury Management Strategy. This was in accordance with the CIPFA (Chartered Institute of Public Finance & Accountancy) code of practice on treasury management in public services, the Council having previously adopted, via Cabinet, the then revised code of practice. Associated treasury management Prudential Indicators were included in the February 2025 report.

5. PRUDENTIAL INDICATORS MONITORING

5.1 Appendix 1 shows the monitoring information for each of the prudential indicators and limits. They relate to:

- External debt overall limits
- Affordability (e.g. implications for Council Tax)
- Prudence and sustainability (e.g. implications for external borrowing)
- Capital expenditure.
- Other indicators for Treasury Management.

6. TREASURY MANAGEMENT UPDATE

6.1 The provisional outturn balance sheet position as at 31st March 2026 for treasury management activities is shown in the table below.

Forecast Treasury Balance Sheet Position 2025/26

Borrowing Position – Q2 2025/26	Original Estimate 2025/26 £'000	Provisional Outturn Position 2025/26 £'000
External Debt		
Borrowing	9,595	9,595
Other Long-Term Liabilities	1,967	1,542
Total External Debt	11,562	11,137
Capital Financing Requirement	9,190	9,066
Under/(Over) Borrowing	(2,372)	(2,071)
INVESTMENTS		
Total Short-Term Investments		28,726
Total Long-Term Investments		
Total Investments		28,726
Net Investments/(Borrowing)	(11,562)	17,589

- 6.2 As can be seen from the above table we are performing within the original targets set at the start of the year. Within the prudential indicators there are several key indicators to ensure that the Council operates its activities within well-defined limits. In general, the requirement is that the Capital Financing Requirement exceeds gross debt.
- 6.3 However, in 2025/26 the gross debt exceeds the Capital Financing Requirement. This is due to the Council having historical debt with a maturity repayment profile (meaning all principal is paid at the loans maturity date) but the accounting treatment requires that the Capital Financing Requirement is reduced each year by the payment of Minimum Revenue Provision (MRP).
- 6.4 Other Liabilities in prior years reflect finance liabilities relating to vehicles and plant and in the current year reflect the transfer of all leases onto the balance sheet to comply with the new IFRS 16 – Leases accounting standard.
- 6.5 The requirement to have Capital Financing Requirement exceed Gross Debt centres around providing an assurance that borrowing is not taking place for Revenue purposes. However, as the Council is not borrowing additional funds currently, this is not an issue.
- 6.6 The current position of the treasury function, and its expected change in the future, introduces risk to the Council from an adverse movement in interest rates. The Prudential Code is constructed based on affordability, part of which is related to borrowing costs and investment returns.
- 6.7 Investment balances were higher than had been forecast when the Prudential Indicators and strategy were set. This is mainly due to grants received in advance of capital spend being incurred, as well as slippage in the capital programme.
- 6.8 The Capital Programme 2025/26 is expected to be funded using Government Grants (including Levelling Up Fund and UK Shared Prosperity Fund) and other external financing. It has also been supported during the year by greater use of internal sources of capital finance (including capital receipts and use of the Council's reserve balances). No external borrowing was required during the year.

7. INVESTMENT ACTIVITIES DURING THE PERIOD

- 7.1 During the year the Council has invested funds with other Local Authorities, the Governments Debt Management Agency Deposit Facility and uses Money Market Funds and Bank deposit accounts.

Portfolio Position	Provisional Outturn 2025/2026 £'000
Local Authorities	24,000
Debt Management Agency Deposit Facility	2,646
Money Market Funds	2,000
Lancashire County Council Call Account	0
Bank Deposit Accounts	80
Total Short-Term Investments	28,726

7.2 The table below shows the investments the Council had in place as of 31st March 2026 with other local authorities:

Local Authority	Date From	Date To	Amount £'000	Interest Rate
Loans Outstanding as at 31 March 2026				
Surrey County Council	16-Feb-26	15-Apr-26	2,000	4.550%
Guildford Borough Council	22-Dec-25	22-Apr-26	2,000	4.500%
Kingston Upon Hull CC	23-Oct-25	23-Apr-26	2,000	4.600%
Broxbourne Council	07-Jul-25	07-May-26	2,000	4.150%
Uttlesford Borough Council	19-Nov-25	19-May-26	2,000	4.450%
West Northamptonshire Council	27-May-25	26-May-26	2,000	4.150%
North Lanarkshire Council	13-Jun-25	12-Jun-26	2,000	4.200%
Eastleigh Council	19-Jun-25	18-Jun-26	2,000	4.300%
Blackpool Council	12-Feb-26	13-Jul-26	2,000	4.750%
Perth & Kinross Council	28-Jul-26	27-Jul-26	2,000	4.150%
Antrim & Newtonabbey Borough Council	18-Mar-26	18-Dec-26	2,000	4.500%
Moray Council	06-Jan-26	05-Jan-27	2,000	4.600%
Total Local Authority Loans			24,000	

7.3 The Council has no future dated loans agreed at the end of the quarter:

Local Authority	Date From	Date To	Amount £'000	Interest Rate
Future Dated Loans Agreed				
Total Future Dated Local Authority Loans			-	

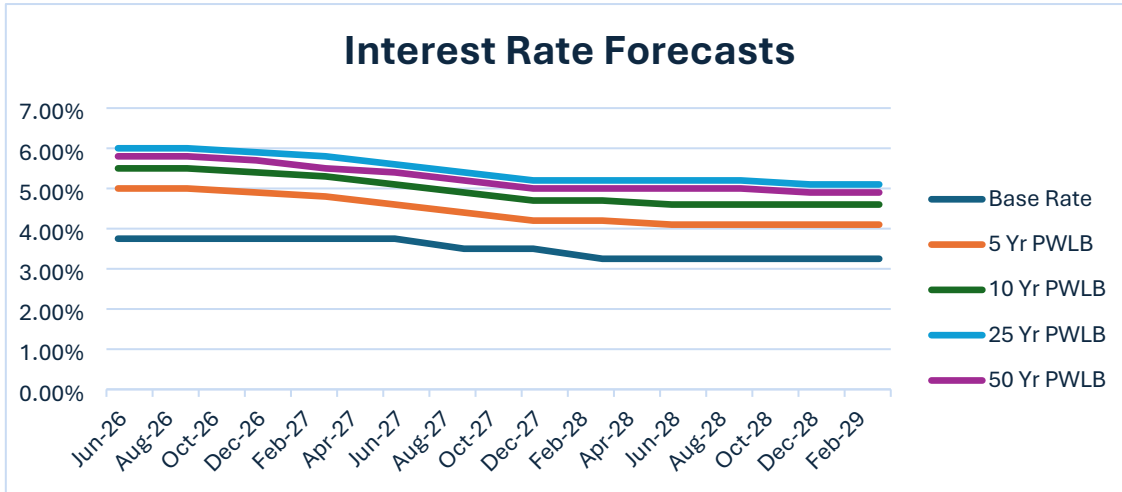
7.4 The Council's Finance team have several checks in place before any loans to other local authorities are agreed, to prioritise the security of any funds invested.

7.5 To ensure the Council is considering any possible risk posed by the recent increase in Section 114 Notices being issued, we are undertaking additional due diligence, which includes:

- Reviewing local press for any signs of financial distress.
- Analysing the latest financial statements of the local authority.
- Assessing the overall financial health and stability of the local authority.

8. EXPECTED MOVEMENT IN INTEREST RATES

8.1 The Council appointed MUFG (formally Link Asset Services) as treasury adviser to the Council and part of their service is to assist the Council in formulating a view on interest rates. The following graph gives MUFG's latest view of the expected future movement in interest rates.



MUFG interest rate forecasts as at 26/03/2026

8.2 The latest forecast sets out a view that both short and long-dated interest rates will gradually fall, as inflation moves closer to the Bank of England's target of 2.00%.

8.3 Interest rate risk is minimised as our borrowings are fixed until a trigger point, where the lender seeks better rates. Current interest rates would need to rise significantly for this to occur. With rates expected to fall in the short-term this is unlikely to occur, but this will be monitored closely.

8.4 The revenue outturn position on the Council's Treasury Management activities is shown in the table below.

Forecast Treasury Revenue Provisional Outturn – 2025/26

Portfolio Position 2025/26	Working Budget 2025/26 £'000	Provisional Outturn 2025/26 £'000	Forecast (Under) / Over Spend £'000
Interest Receivable			
Interest Receivable on Temporary Lending	(700)	(1,600)	(900)
Other Interest Receivable	-	(30)	(30)
Total Interest Receivable	(700)	(1,630)	(930)
Interest Payable			
Interest Payable on Long-Term Borrowings	440	439	(1)
Interest Payable on Finance Leases	41	216	175
Other Interest Payable	-	3	3
Total Interest Payable	481	658	177
Minimum Revenue Provision	1,085	1,142	57
Net (Income) / Expenditure from Treasury Activities	866	170	(696)

Interest Receivable

- 8.5 The Council has invested amounts of surplus cash on a short-term, temporary basis. The Council's strategy continues to focus on the security of deposits and the liquidity of funds. The interest received from these investments is above the budgeted expectations for the full year, mainly due to higher levels of funds being held and the Bank of England maintaining interest rates at higher levels than were anticipated when the budget was set. The actual income from investment interest for the year ending 31 March 2026 is £1.6m; an increase of £900k against the original budget forecast.
- 8.6 The Council continues to invest surplus cash in top-rated financial institutions. We continue to spread our money around several institutions to ensure that we are not potentially damaged by the unforeseen collapse of any one bank. Deposits are also held with banks where we believe that the respective governments are likely to be able to guarantee deposits in the event of bank failure. This strategy is continuing to yield an appropriate rate of return, though at a lower rate, as there is less risk attached to these deposits. We also operate a policy of holding no more than £2m in any one bank (except for the liquidity account held with Nat West Bank where the limit is £3m) to ensure that the risk is spread.
- 8.7 The council can place unlimited funds with the Government Debt Management Agency Deposit Facility (DMADF). This allows greater flexibility for placing of funds with potential for higher returns with minimal risk.

8.8 Interest Payable

An estimate of interest on additional borrowing was included in the budget and whilst there were no new borrowing requirements for capital spend, the changes required for lease accounting and the timing of the leases being taken resulted in a pressure against the 2025/26 revenue budget.

8.9 Minimum Revenue Provision

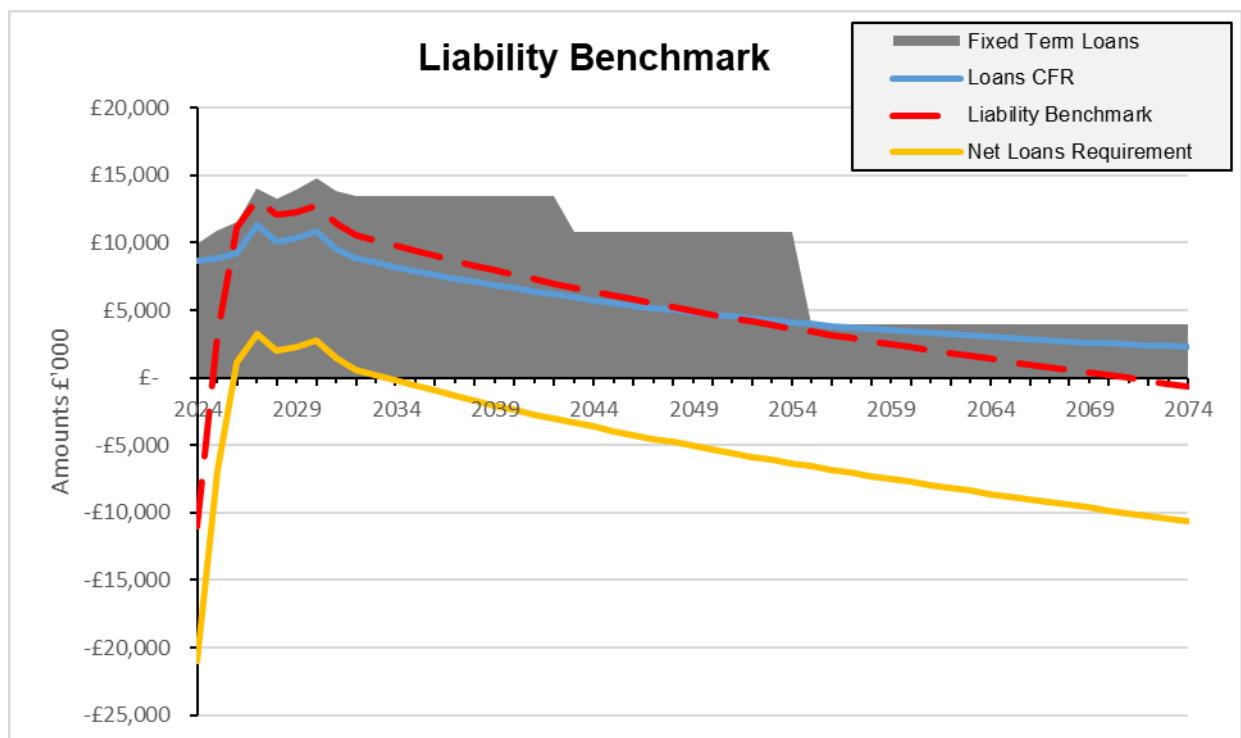
Minimum revenue provision charge is forecast to be higher than budget due to previously purchased vehicles being replaced with leased ones. Plus there are an additional 4 RCV's for food waste that have also been leased.

9. PERFORMANCE AGAINST PRUDENTIAL INDICATORS

- 9.1 The Council's performance to date, and current forecasts for the year, against the Prudential Indicators set in the Treasury Management Strategy approved by full Council on 27th February 2025 are shown in **Appendix 1**. The Council has remained within the Prudential Indicators set out in the approved Treasury Management Strategy.
- 9.2 **Liability Benchmark**
- 9.3 The Council's Treasury Management Strategy also set out a Liability Benchmark. This compares the Council's actual borrowing against an alternative strategy, the liability benchmark was calculated showing the lowest risk level of borrowing.
- 9.4 The liability benchmark is a useful tool to help establish whether the Council is likely to be a long-term borrower or a long-term investor in the future and so shape its strategy focus and decision

making. The liability benchmark itself 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.

- 9.5 To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as used throughout this report, but that cash and investment balances are kept to a minimum level of £10M at each year-end to maintain sufficient liquidity but minimise credit risk.
- 9.6 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. The liability benchmark itself 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.
- 9.7 The long-term liability benchmark assumes no new capital expenditure funded by borrowing and that income, expenditure and reserves all increase by inflation of 1.0% each year. This is shown in the chart above together with the maturity profile of the Council's existing borrowing.
- 9.8 The chart below shows that the Council has long-term borrowings, that were committed to a number of years ago, which are forecast to be above the liability benchmark, and therefore the Council would not be expecting to enter into new borrowings over the short term.
- 9.9 Borrowing levels are above the liability benchmark due to high cash balances as a result of grants received in advance of capital spend, as well as the Council holding healthy levels of reserves.



10. ALTERNATIVE OPTIONS CONSIDERED AND REASONS FOR REJECTION

Not applicable.

11. CONSULTATIONS

Not applicable in this instance.

12. IMPLICATIONS

Financial (Including any future financial commitments for the Council)	There are none arising directly from this report.
Legal and human rights implications	The Local Government Act 2003 (part 1) and associated regulations gave statutory recognition to the Prudential Code - therefore there is a statutory backing to the background and local purpose of the report. Treasury Management activities of local authorities are prescribed by statute – the source of powers is, in England & Wales, the 2003 Act. ‘Statutory Guidance’ on investment is given by the MHCLG to local authorities.
Assessment of risk	There are inherent risks in capital finance and treasury management. When appropriate the risks are identified and assessed as part of the various recommendations made on Prudential Capital Finance and in the Council’s Treasury Management Strategy.
Equality and diversity implications	There are no specific implications for customers’ equality and diversity arising directly from the recommendations in this report

13. LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985:

List of Background Papers

- The Local Government Act 2003 and related regulations
- The Prudential Code for Capital Finance in Local Authorities (CIPFA 2021)
- The Treasury Management Code of Practice (CIPFA 2021)
- Prudential Indicators, Treasury Management and Investment Strategy (Including Capital Strategy) approved at full Council 27th February 2025

13. FREEDOM OF INFORMATION

The report does not contain exempt information under the Local Government Act 1972, Schedule 12A and all information can be disclosed under the Freedom of Information Act 2000.

Performance Against Treasury & Prudential Indicators in 2025/26

Appendix 1

Indicator	As Approved February 2025		As at 31 Mar 2026		Comments		
Estimated Capital Expenditure	£26.054M		£19.904M		The current figure takes account of additional slippage from 2024/25 in the capital programme where spend will now be incurred in 2025/26. It also takes account of slippage from 2025/26 where it is forecast that this will now be spent in future years.		
Estimated Capital Financing Requirement at Year End	£9.19M		£10.644M		Capital Financing Requirement is a prescribed measure of the capital expenditure incurred historically by the authority which has been financed by external or internal borrowing.		
Estimated Ratio of Financing Costs to Net Revenue Stream	10.20%		10.60%				
External Debt Prudential Indicators (Operational Boundary and Authorised Borrowing Limit)	Operational Boundary	£20M	Borrowing to Date	£M	Borrowing has been within both the Operational Boundary and Authorised Borrowing Limit throughout the year.		
	Authorised Borrowing Limit	£35M	Long-Term Borrowing	9.595			
			Finance Lease Debt	3.421			
			Total	13.016			
Variable Interest Rate Exposure	100%		Exposure to Date	43%	In 2016/17 Barclays notified the Council that the debt held by Barclays was being converted into fixed rate debt from its original agreement as a LOBO. All remaining LOBO debt is classified as having a variable interest rate.		
Fixed Interest Rate Exposure	100%		Exposure to Date	57%			
Prudential Limits for Maturity Structure of Borrowing				Actual Maturity Structure to Date			Borrowings of £4.12M are subject to LOBO (Lender Option Borrower Option) agreements. As they have call periods at 6 monthly intervals they are classed as borrowing under 12 months.
	Period	Lower Limit	Upper Limit	Period	£M	%	
	< 1 Year	0%	75%	< 1 Year	4.120	43%	
	1-2 Years	0%	75%	1-2 Years	-	0%	
	2-5 Years	0%	75%	2-5 Years	-	0%	
	5-10 Years	0%	75%	5-10 Years	-	0%	
	>10 Years	0%	75%	>10 Years	5.405	57%	
			Total	9.525	100%		
Total Investments for Longer than 364 Days	£3M		No Long-Term Investments Made				