Public Report
Audit Committee

Committee Name and Date of Committee Meeting
Audit Committee – 24 November 2026

Report Title
Mid-Year Treasury Management and Prudential Indicators Monitoring Report – 2026/27

Is this a Key Decision and has it been included on the Forward Plan?
No

Strategic Director Approving Submission of the Report
Judith Badger, Executive Director of Corporate Services

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Ward(s) Affected
Borough-Wide

Report Summary

Mid-Year Treasury Review

The regulatory framework of treasury management requires that the Council produces a mid-year treasury review, in addition to the forward-looking annual treasury strategy and backward looking annual treasury outturn report.

This report is the mid-year review for 2026/27. It also incorporates the needs of the Prudential Code to ensure adequate monitoring of the capital expenditure plans and the Council's prudential indicators (PIs).

It is also a requirement that any proposed changes to the 2026/27 prudential indicators are approved by Council.

The monitoring as set out in Appendix 1 to the report is structured to highlight the key changes to the Council's capital activity (the PIs) and the actual and proposed treasury management activity (borrowing and investment).

The key messages for Members are:

a. Investments - the primary governing principle remains security over return and the criteria for selecting counterparties continues to reflect this.

b. Borrowing – The Council will maintain its strategy of being under-borrowed against the capital financing requirement.

   The current strategy is to delay all new borrowing as late as possible and to only enter into short term borrowing in order to minimise the interest cost to the Council. There is a increased discounted rate with the PWLB for borrowing long term funds specifically for HRA purposes which is available until March 2028, the Council will use this where possible. The overall borrowing position will remain under review, and an update of the strategy will be presented to Members within the Budget and Council Tax 2027/28 report to Council in March 2027.

c. Governance - strategies and monitoring are reviewed by Audit Committee.

d. The Council's approach to Treasury Management in recent years, utilising short term borrowing in particular, has generated significant savings for the Council, essential to achieving balanced budgets, but the future outlook remains challenging. The Bank of England has increased the Base Rate to 4% and the cost of short term borrowing has increased as a result. The costs for longer term borrowing remain high reflecting the yield on UK gilts.

Recommendations

1. Audit Committee is asked to note the contents of the report.

List of Appendices Included

Appendix 1 – Mid-Year Treasury Management and Prudential Indicators Monitoring Report – 2026/27.

Background Papers

Budget and Council Tax Setting Report 2026/27 to Council on 4th March 2026, including the Treasury Management Strategy 2026/27

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No

Council Approval Required

No

Exempt from the Press and Public

No

1. Background

1.1 **Mid-Year Treasury Review** – The CIPFA Treasury Management Code of Practice includes a requirement that Members receive a mid-year treasury review, in addition to the forward looking annual treasury strategy and backward looking annual treasury report required previously.

1.2 This review as fully set out in Appendix 1 meets these requirements. It also incorporates the needs of the Prudential Code to ensure adequate monitoring of the capital expenditure plans and the Council's prudential indicators (PIs). The Treasury Management Strategy and PIs were previously reported to Cabinet on 9th February 2026 and approved by Council on 4th March 2026.

2. Key Issues

2.1 Mid-Year Treasury Review – The review as set out in Appendix 1 provides Members with details of mid-year performance against the plan.

2.2 a. Investments - the primary governing principle remains security over return and the criteria for selecting counterparties continues to reflect this.

b. Borrowing – The Council will maintain its strategy of being under-borrowed against the capital financing requirement.

The current strategy is to delay all new borrowing as late as possible and to only enter into short term borrowing in order to minimise the interest cost to the Council. There is a increased discounted rate with the PWLB for borrowing long term funds specifically for HRA purposes which is available until March 2028, the Council will use this where possible. The overall borrowing position will remain under review, and an update of the strategy will be presented to Members within the Budget and Council Tax 2027/28 report to Council in March 2027.

c. Governance - strategies and monitoring are reviewed by Audit Committee.

d. The Council's approach to Treasury Management in recent years, utilising short term borrowing in particular, has generated significant savings for the Council, essential to achieving balanced budgets, but the future outlook remains challenging. The Bank of England has increased the Base Rate to 4% and the cost of short term borrowing has increased as a result. The costs for longer term borrowing remain high reflecting the yield on UK gilts.

3. Options considered and recommended proposal

3.1 Mid-Year Treasury Review – The review as set out in Appendix 1 indicates performance is in line with the plan and no proposals to vary the approach for the remainder of the year are proposed.

4. Consultation on proposal

4.1 The continuing approach to treasury management has been discussed with the Council's external Treasury Management Advisers, MUFG, who have confirmed this is a prudent approach given current market conditions. MUFG will continue to monitor borrowing rates and inform the Council if there are opportunities to borrow at advantageous rates.

5. Timetable and Accountability for Implementing this Decision

5.1 The report is for Audit Committee information and noting.

6. Financial and Procurement Advice and Implications

6.1 Treasury Management forms an integral part of the Council's overall financial arrangements. For the financial year 2026/27 the Treasury Management budget built in a saving of £4.2m and is currently forecasting to provide an additional £4.7m of savings that will help support the Council's overall budget pressures, through income generated through the investment strategy.

6.2 The assumptions supporting the capital financing budget for 2026/27 and for future years covered by the Council's MTFS were reviewed in light of economic and financial conditions and the capital programme.

6.3 The current strategy is to maintain the Council's position of being under-borrowed against the Capital Financing Requirement. The Council is forecast to require additional borrowing before the end of the 2026/27 financial year. This borrowing will be taken on a short-term basis to minimise exposure to currently high interest rates in anticipation of lower rates in future years. There is a possibility of taking some long term borrowing from the PWLB at the discounted HRA rate. A further update will be provided as part of the Council's Treasury Management Strategy for 2027/28.

6.4 There are no direct procurement implications arising from this report.

7. Legal Advice and Implications

7.1 It is a requirement that changes to the Council's prudential indicators are approved by Council

8. Human Resources Advice and Implications

8.1 There are no Human Resource implications arising from the report.

9. Implications for Children and Young People and Vulnerable Adults

9.1 The report does not impact the Children's and Adult Social care budgets.

10. Equalities and Human Rights Advice and Implications

10.1 There are no implications arising from this report to Equalities and Human Rights.

11. **Implications for CO2 Emissions and Climate Change**

11.1 No direct implications.

12. **Implications for Partners**

12.1 There are no implications arising from this report to Partners or other directorates.

13. **Risks and Mitigation**

13.1 Regular monitoring of treasury activity ensures that risks and uncertainties are addressed at an early stage and hence kept to a minimum.

14. Accountable Officers

Rob Mahon, Service Director Financial Services
Joshua Amahwe, Head of Corporate Finance

Appendix 1

Mid-Year Prudential Indicators and Treasury Management Monitoring

1. Introduction and Background

1.1 The CIPFA Treasury Management Code of Practice includes a requirement that the Council receive a mid-year treasury review, in addition to the forward looking annual treasury strategy and backward looking annual treasury report required previously.

1.2 This report meets that requirement. It also incorporates the needs of the Prudential Code to ensure adequate monitoring of the capital expenditure plans and the Council's prudential indicators (PIs). The Treasury Management Strategy and PIs for 2026/27 were previously reported to Cabinet on 9th February 2026 and approved by Council on 4th March 2026.

1.3 The Council's revised capital expenditure plans and the impact of these revised plans on its financing are set out below in Sections 2.2 and 2.3 respectively. The Council's capital spending plans provide a framework for the subsequent treasury management activity. Section 3 onwards sets out the impact of the revised plans on the Council's treasury management indicators.

1.4 The underlying purpose of the report supports the objective in the CIPFA Code of Practice on Treasury Management and the Communities & Local Government Investment Guidance. This states that Members receive and adequately scrutinise information on the treasury management service.

1.5 The underlying economic and financial environment remains difficult for the Council, on investment the main challenge relates to concerns over investment counterparty risk. This background encourages the Council to continue maintaining investments short term and with low risk counterparties. The Bank of England base rate had held throughout 2026 at 3.75% but has recently increased to 4%.

1.6 The Council has had to undertake borrowing in the year to date to finance its capital programme.

1.7 Gilt yields and PWLB Certainty Rates have remained volatile throughout the six months under review, but the general trend has been for the whole curve to shift higher on the back of inflation concerns and a pessimistic outlook for fiscal aspects, both domestically and internationally. During 2026/27 to date the rates have seen highs of 6.68% for a 50-year PWLB loan and lows of 6.17% with the 50 year rate currently standing at 6.19%. These are higher than last year. Meanwhile, short term borrowing rates have increased with 6 month borrowing rates standing at around 5.4%, compared with 4.5% in September 2025. The Council keeps interest rates under constant review within its borrowing strategies and decisions on the mix of long-term and short-term borrowing.

1.8 The Executive Director, Corporate Services can report that the basis of the Treasury Management Strategy, the Investment Strategy and the PIs have not

changed from that set out in the approved Treasury Management Strategy (Council March 2026).

2. Key Prudential Indicators

2.1 This part of the report is structured to update:

- The Council's latest capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the PIs and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

2.2 Capital Expenditure (PI)

2.2.1 This table shows the current forecast estimates for capital expenditure. This position reflects slippage on the capital programme and new scheme approvals during the year.

Capital Expenditure by Service	**2026/27 Original Estimate £m**	**2026/27 Revised Estimate £m**
Children and Young People's Services	14.133	14.645
Assistant Chief Executive	0.255	0.670
Adult Care & Housing	7.098	7.807
Finance and Customer Services	19.456	15.343
Regeneration and Environment	91.121	86.969
Total Non-HRA	**132.063**	**125.433**
Adult Care & Housing – HRA	78.843	89.497
Total HRA	**78.843**	**89.497**
Total	**210.906**	**214.931**

2.3 Impact of Capital Expenditure Plans

2.3.1 Changes to the Financing of the Capital Programme

The table below draws together the main strategy elements of the capital expenditure plans (above), highlighting the expected financing arrangements of this capital expenditure.

Capital Expenditure	**2026/27 Original Estimate £m**	**2026/27 Revised Estimate £m**
Total spend	210.906	214.931
Financed by:		
Capital receipts	8.920	14.274

Capital grants, capital contributions & other sources of capital funding	102.871	133.018
Borrowing Need	99.115	67.638
Total Financing	**210.906**	**214.931**

2.3.2 The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision (MRP). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

2.3.3 The reduction in borrowing need for 2026/27 (£31.476m) reflects the re-profiling of capital expenditure & additional grant income financing the programme in the short term. As such this is just delayed capital borrowing not a reduced requirement overall.

2.3.4 **Changes to the Capital Financing Requirement (PI), External Debt and the Operational Boundary (PI)**

2.3.5 The table below shows the CFR, which is the underlying external need to borrow for a capital purpose. It also shows the expected debt position over the period. This expected debt position has previously been used as the basis for the Operational Boundary PI. This was set at the beginning of the financial year at £1,042.641m. There may be periods where the actual position rises above the Operational Boundary, but this is acceptable practice. It is the Authorised Limit which the Council must not breach. It is not expected that the Operational Boundary will be breached. The council will continue to use a combination of long and short term borrowing and remain under-borrowed.

2.3.6 In addition to showing the underlying need to borrow, the Council's CFR includes other long term liabilities which have been brought on balance sheet, for example, PFI schemes and Right of Use assets. No borrowing is actually required against these schemes as a borrowing facility is already included in the contract and there has been no change in the borrowing need resulting from these requirements.

2.3.7 The current CFR estimate for 2026/27 is £1,084.812m and this figure represents an increase of £50.199m when compared to the 2025/26 year-end position of £1,034.613. The increase is predominantly due to reflecting the Councils approved Capital Programme within the revised CFR estimate.

Prudential Indicator – Capital Financing Requirement	**2026/27 Original Estimate £m**	**2026/27 Revised Estimate £m**
CFR – Non Housing	759.121	606.563
CFR – Housing	357.166	347.658
Total CFR excluding PFI, finance leases and similar arrangements	**1,116.287**	**954.221**

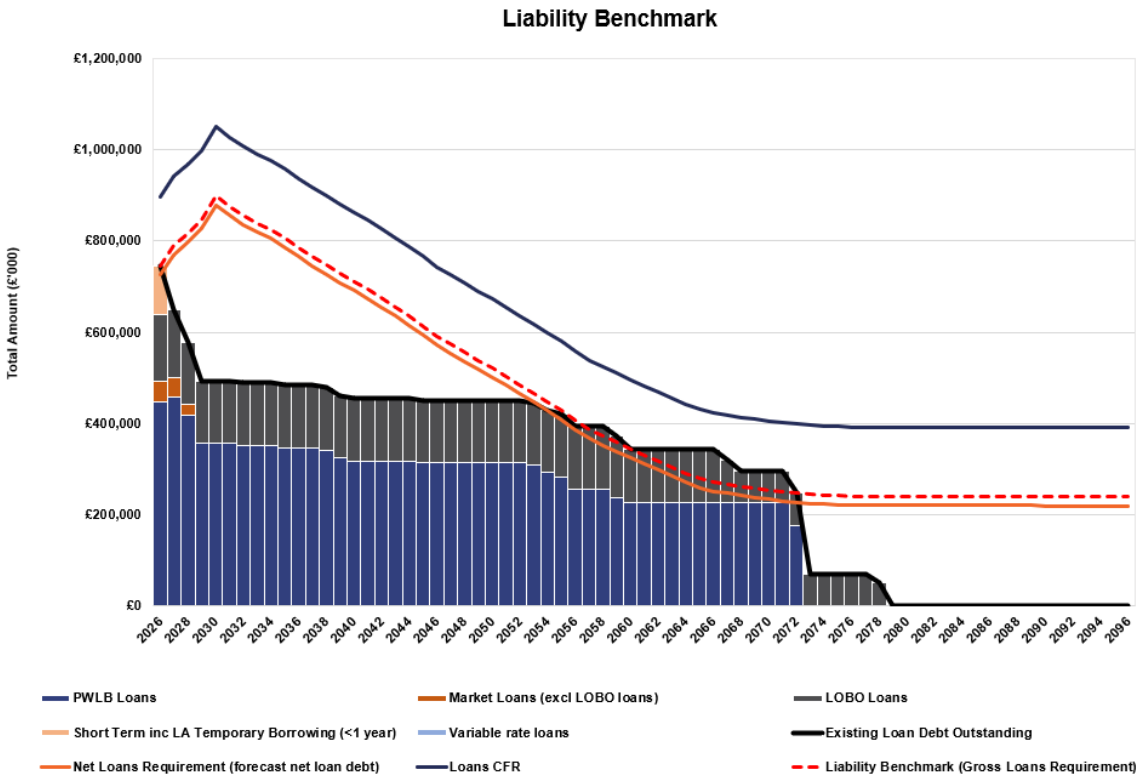
Net movement in CFR excluding PFI, finance leases and similar arrangements	**79.542**	**52.539**
Cumulative adjustment for PFI, finance leases and similar arrangements	128.527	130.591
Net movement in CFR	**-5.948**	**-2.340**
Total CFR including PFI, finance leases and similar arrangements	1,244.814	1,084.812
Net movement in overall CFR	**73.594**	**50.199**
Prudential Indicator – Operational Boundary	**Original Estimate**	**Current Position**
Borrowing	914.114	967.859
Other long term liabilities*	128.527	130.591
Total Operational Boundary 31 March	**1,042.641**	**1,098.450**

* Includes on balance sheet PFI schemes, finance leases and similar arrangements, etc.

2.3.8 **Liability Benchmark**

2.3.9 The Council is required to estimate and measure the Liability Benchmark (LB) for the forthcoming financial year and the following two financial years, as a minimum. There are four components to the LB: -

1. **Existing loan debt outstanding**: the Council's existing loans that are still outstanding in future years.
2. **Loans CFR**: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
3. **Net loans requirement**: this will show the authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
4. **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.



2.3.10 Any years where actual loans are less than the benchmark indicates a future borrowing requirement; any years where actual loans outstanding exceed the benchmark represent an overborrowed position, which will result in excess cash requiring investment.

2.3.11 The index shows that in the coming two years we are likely to need to take our additional borrowing to support the funding of our capital programme. After 2028 in the medium term, the level of loans exceeds the gross loan requirement which results in a cash balance to invest. This index is based on the current capital programme. In reality, it is likely that we will need to continue to closely monitor the capital programme forecast outturn to ensure we only borrow when required.

3. Limits to Borrowing Activity

3.1 The first key control over the treasury activity is a PI to ensure that over the medium term, gross and net borrowing will only be for a capital purpose. Gross and net external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2025/26 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which would only be undertaken if this proves prudent to do so.

RMBC	2026/27 Original Estimate £m	2026/27 Revised Estimate £m
Gross Borrowing Requirement	884.114	967.859
Plus Other Long Term liabilities*	128.527	130.591
Total Gross Borrowing Requirement	**1,012.641**	**1,098.450**
CFR*	1,116.287	1,084.812
Total Gross Borrowing Requirement	1,012.641	1,098.450
Less Investments	20.000	16.490
Net Borrowing Requirement	**992.641**	**1,081.960**
CFR*	1,116.287	1,097.567

* Includes on balance sheet PFI schemes, finance leases and similar arrangements, etc.

3.2 The Executive Director or Corporate Services reports that no difficulties are envisaged for the current or future years in complying with this PI.

3.3 A further PI controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised limit for external debt (RMBC)	2026/27 Original Indicator £m	2026/27 Revised Indicator £m
Borrowing	1,034.570	974.221
Other long term liabilities*	128.611	130.591
Total	**1,163.181**	**1,104.812**

* Includes on balance sheet PFI schemes, finance leases and similar arrangements, etc.

4. Treasury Strategy 2026/27

4.1 Debt Activity during 2026/27

4.1.1 The expected borrowing need is set out below:

RMBC	2026/27 Original Estimate £m	2026/27 Revised Estimate £m
CFR	1,116.287	1,084.812
Less Other Long Term Liabilities*	128.527	130.591
Net Adjusted CFR (y/e position)	**987.760**	**954.221**
Borrowed at 30/09/26	834.557	691.881
Invested at 30/09/26	-20.000	- 16.490
Under borrowing at 30/09/26	**173.203**	**278.831**
Borrowed at 30/09/26	834.557	691.881
Estimated additional borrowing to be taken October to March 2027	150.000	78.000
Total Borrowing	**984.557**	**769.881**
Under borrowing at 31/03/27	3.203	184.341
Level of short term borrowing as 31/3/27		90.000

* Includes on balance sheet PFI schemes, finance leases and similar arrangements, etc.

4.1.2 The Council is currently significantly under-borrowed. The delay in borrowing long-term reduces the cost of carrying borrowed monies when yields on investments are low relative to the borrowing rates. Based on current borrowing rates and investment returns the differential is around 2.22% and if the Council was fully borrowed the cost per year would amount to £6.083m (Under borrowing and ST borrowing X 2.22%). The delay in taking out new long-term borrowing does give rise to an element of interest rate risk as longer term borrowing rates may rise. Borrowing rates have risen significantly during recent years although it is likely they have now peaked, and rates are expected to fall over the medium term. This position is being closely monitored and the overall position carefully managed.

4.1.3 During the six months to 30 September 2026 the Council has taken out a total of £70m as detailed in the table below. This borrowing has been used to finance the capital programme. Current forecasts indicate an estimated £123m of additional borrowing will be required before the end of 2026/27. The Council will continue with its short-term borrowing strategy.

Lender	Principal	Maturity	Interest Rate %
Combined Authority	10,000,000.00	December 2026	4.6
Combined Authority	15,000,000.00	April 2027	4.5
Local Authority	5,000,000.00	May 2027	4.7
Combined Authority	5,000,000.00	November 2026	4.05
Combined Authority	20,000,000.00	October 2026	4.1
Combined Authority	10,000,000.00	April 2027	4.1
Combined Authority	5,000,000.00	September 2027	4.75

4.1.4 During the six months to 30 September 2026, the Council has repaid principal on annuity loans from the PWLB, and loans from the Local Authority market. The principal repaid, and interest rates are detailed in the table below. There are 5 Annuity loans on which variable amounts of principal are repaid each six months.

Lender	Principal	Type	Interest Rate %
PWLB	£119,647	Fixed rate (Annuity)	Various
Combined Authority	£30,000,000	Temp	4.65
Combined Authority	£15,000,000	Temp	4.15
Local Authority	£5,000,000	Temp	4.25
Fire Authority	£3,000,000	Temp	4.25
Combined Authority	£20,000,000	Temp	5.00
Local Authority	£4,000,000	Temp	4.30

5. Investment Strategy 2026/27

5.1 Key Objectives

5.1.1 The primary objective of the Council's Investment Strategy is safeguarding the repayment of the principal and interest of its investments on time – the investment return being a secondary objective. The current difficult economic and financial climate has heightened the Council's over-riding risk consideration with regard to "Counterparty Risk". As a result of these underlying market concerns, officers continue to implement an operational investment strategy which maintains the tight controls already in place in the approved Investment Strategy.

5.1.2 The Council has been managing any cash surpluses into one of the following investment options, Debt Management Office (DMO currently at 3.95%), and Other Local Authorities (currently 5.40%). The Council has continued to use Money Market Funds (MMF's), which currently have interest rates of between 4.018% and 4.048%. The process for using MMF's is very efficient and

effective, with the added benefit that the funds the Council can access are all AAA rated. Investment rates have decreased slightly during 2026/27 due to the cut in the Bank of England base rate.

5.2 **Current Investment Position**

5.2.1 The Council held £16.5m of investments at 30 September 2026, and the constituent parts of the investment position are:

Sector	Country	Up to 1 year £m	1 - 2 years £m	2 – 3 years £m
Banks	UK	0.000	0	0
Local Authorities	UK	0.000	0	0
MMF's	UK	16.500	0	0
Total		**16.500**	**0**	**0**

5.3 **Risk Benchmarking**

5.3.1 A regulatory development is the consideration and approval of security and liquidity benchmarks. Yield benchmarks are currently widely used to assess investment performance. Discrete security and liquidity benchmarks are requirements to Member reporting and the following reports the current position against the benchmarks:

5.3.2 **Security** – The Council monitors its investments against historic levels of default by continually assessing these against the minimum criteria used in the Investment Strategy. The Council's approach to risk, the choice of counterparty criteria and length of investment ensures any risk of default is minimal when viewed against these historic default levels.

5.3.3 **Liquidity** – In respect of this area the Council set liquidity facilities/benchmarks to maintain:

- Bank overdraft – the council does not have an agreed overdraft facility with its banks. Short term finance can be obtained at a lower cost from the financial market.
- Liquid short-term deposits of at least £6m available within a week's notice.

The Strategic Director for Finance & Customer Services can report that liquidity arrangements were adequate during the year to date.

5.3.4 **Yield** – a local measure for investment yield benchmark is internal returns above the Overnight Sterling Overnight Index Average (SONIA).

The Strategic Director for Finance & Customer Services can report that the return to date averages 3.70%, against an average Overnight SONIA to the end of September 2026 of 3.73%.

Based on the Council's current average cash investments of £20m, the return achieved at the benchmark rate would be £2k lower than the actual return realised.

6. Revisions to the Investment Strategy

6.1 The counterparty criteria are continually under regular review but in the light of the current market conditions no recommendations are being put to Members to revise the Investment Strategy.

7. Treasury Management Prudential Indicators

7.1 Actual and estimates of the ratio of financing costs to net revenue stream

7.1.1 This indicator identifies the trend in the cost of capital (financing costs net of interest and investment income) against the net revenue stream.

	2026/27 Original Indicator %	September 2026 Position %
Non-HRA	12.70	13.03
HRA	13.47	14.16

7.2 The current position reflects in-year changes to the capital programme and minor fluctuations in interest rates.

7.3 Prudential indicator limits based on debt net of investments

- **Upper Limits On Fixed Rate Exposure** – This indicator covers a maximum limit on fixed interest rates.

- **Upper Limits On Variable Rate Exposure** – Similar to the previous indicator this identifies a maximum limit for variable interest rates based upon the debt position net of investments.

RMBC	2026/27 Original Indicator	September 2026 Position
Limits on fixed interest rates based on net debt	100%	87.84%
Limits on variable interest rates based on net debt	50%	12.16%

7.4 Maturity Structures Of Borrowing

7.4.1 These gross limits are set to reduce the Council's exposure to large fixed rate loans (those instruments which carry a fixed interest rate for the duration of the instrument) falling due for refinancing.

7.4.2 The current position shown below includes the next call dates on the Council's LOBO loans. The actual maturity date for most of these loans is greater than 40 years. This approach gives a better indication of risk. Given the significant increase in interest rates some of these loans have rates below the prevailing lending rates. There is therefore an increased chance that a lender will increase

the loan rate at which point the Council has the option to pay the higher rate or repay the loan.

RMBC	2026/27 Original Indicator		September 2026 Position	
	Lower	Upper	%	£m
Under 12 months	0%	50%	24.57%	170.000
12 months to 2 years	0%	35%	3.61%	25.000
2 years to 5 years	0%	45%	0.72%	5.000
5 years to 10 years	0%	45%	1.01%	6.994
10 years to 20 years	0%	45%	4.99%	34.550
20 years to 30 years	0%	50%	8.14%	56.336
30 years to 40 years	0%	50%	14.02%	97.000
40 years to 50 years	0%	60%	32.81%	227.000
50 years and above	0%	60%	10.12%	70.000

7.5 **Total Principal Funds Invested**

7.5.1 These limits are set to reduce the need for the early sale of an investment, and show limits to be placed on investments with final maturities beyond each year-end.

7.5.2 The Council currently has no sums invested for periods exceeding 364 days due to market conditions. To allow for any changes in those conditions the indicator has been left unchanged.

RMBC	2026/27 Original Indicator £m	September 2026 Position £m
Maximum principal sums invested > 364 days	10	0
Cash deposits	10	0

7.6 **Treasury Management Advisers**

7.6.1 Treasury Management advice continues to be provided by MUFG (formerly Link Asset Services Treasury Solutions). They were appointed for a new three year term in January 2026 following a procurement exercise.