TREASURY MANAGEMENT
MID-YEAR REPORT 2025/26

PLYMOUTH CITY COUNCIL

1. Introduction

1.1 This report is to provide the Audit and Governance Committee and the Council with a mid-year review of the Council's treasury management activities for the first 6 months of the financial year (to 30 September 2025).

1.2 The Council continues to hold cash investments and maintains a range of fixed rate loans and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's treasury management strategy.

1.3 The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that authorities report on the performance of the treasury management function at least twice yearly (mid-year and at year end).

1.4 The report includes the requirement in the 2021 Code to regularly report on the treasury management prudential indicators. The non-treasury prudential indicators will be reported in the Authority's normal quarterly budget monitoring reports.

1.5 The 2017 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Council's Capital Strategy and the Council's Treasury Management Strategy for 2025/26 were approved by full Council on 24 February 2025.

1.6 The Council contract with Arlingclose to provide Treasury Management advice which has been incorporated with external contexts below.

2. External Context October 2025
commentary provided by TM advisors Arlingclose

2.1 **Economic background:** The first quarter was dominated by the fallout from the US trade tariffs and their impact on equity and bond markets. The second quarter, still rife with uncertainty, saw equity markets making gains and a divergence in US and UK government bond yields, which had been moving relatively closely together.

2.2 The UK economy expanded by 0.7% in the first quarter of the calendar year and by 0.3% in the second quarter. In the final version of the Q2 2025 GDP report, annual growth was revised upwards to 1.4%. However, monthly figures showed zero growth in July, in line with expectations, indicating a sluggish start to Q3.

2.3 Labour market data continued to soften throughout the period, with the unemployment rate rising and earnings growth easing, but probably not to an extent that would make the more hawkish MPC members comfortable with further rate cuts. In addition, the employment rate rose while the economic inactivity rate and number of vacancies fell.

2.4 The BoE's Monetary Policy Committee (MPC) cut Bank Rate from 4.5% to 4.25% in May and to 4.0% in August after an unprecedented second round of voting. The final 5-4 vote was for a 25bps cut, with the minority wanting no change. In September, seven MPC members voted to hold rates while two preferred a 25bps cut. The Committee's views still differ on whether the upside risks from inflation expectations and wage setting outweigh downside risks from weaker demand and growth.

2.5 The August BoE Monetary Policy Report highlighted that after peaking in Q3 2025, inflation is projected to fall back to target by mid-2027, helped by increasing spare capacity in the economy and the ongoing effects from past tighter policy rates. GDP is expected to remain weak in the near-term while over the medium term outlook will be influenced by domestic and global developments.

2.6 Arlingclose, the authority's treasury adviser, maintained its central view that Bank Rate would be cut further as the BoE focused on weak GDP growth more than higher inflation. One more cut is currently expected during 2025/26, taking Bank Rate to 3.75%. The risks to the forecast are balanced in the near-term but weighted to the downside further out as weak consumer sentiment and business confidence and investment continue to constrain growth. There is also considerable uncertainty around the autumn Budget and the impact this will have on the outlook.

2.7 **Financial markets**: After the sharp declines seen early in the period, sentiment in financial markets improved, but risky assets have generally remained volatile. Early in the period bond yields fell, but ongoing uncertainty, particularly in the UK, has seen medium and longer yields rise with bond investors requiring an increasingly higher return against the perceived elevated risk of UK plc. Since the sell-off in April, equity markets have gained back the previous declines, with investors continuing to remain bullish in the face of ongoing uncertainty.

2.8 Over the period, the 10-year UK benchmark gilt yield started at 4.65% and ended at 4.70%. However, these six months saw significant volatility with the 10-year yield hitting a low of 4.45% and a high of 4.82%. It was a broadly similar picture for the 20-year gilt which started at 5.18% and ended at 5.39% with a low and high of 5.10% and 5.55% respectively. The Sterling Overnight Rate (SONIA) averaged 4.19% over the six months to 30th September.

2.9 **Credit review:** Arlingclose maintained its recommended maximum unsecured duration limit on the majority of the banks on its counterparty list at 6 months. The other banks remain on 100 days.

2.10 Financial market volatility is expected to remain a feature, at least in the near term and, credit default swap 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.

2.11 After spiking in early April following the US trade tariff announcements, UK credit default swap prices have since generally trended downwards and ended the period at levels broadly in line with those in the first quarter of the calendar year and throughout most of 2024.

2.12 Overall, at the end of the period credit default swap prices for all banks on Arlingclose's counterparty list remained within limits deemed satisfactory for maintaining credit advice at current durations.

3. Impact of SEND (Special Educational needs and Disabilities) deficits on council borrowing and financial stability in the UK

3.1 National SEND deficits are projected to reach £5-8 bn by 2026/27, with current estimates already exceeding £3bn. There deficits are largely driven by:

- Rising numbers of children with Education, Health and Care Plans (EHCPs)
- High costs of specialist school placements.
- Insufficient government funding to match demand growth.

3.2 There is a statutory override allowing councils to exclude SEND deficits from their balance sheets. Originally set to expire in March 2026, this has now been extended to March 2028, thereby allowing Councils with significant SEND deficits to set legally balanced budgets for this period. However, councils are increasingly borrowing to cover day-to day spending (not just capital projects) due to SEND-related cash flow pressures. This borrowing is unsustainable and presents risks to the long term financial health of councils.

3.3 The government has promised reforms to the SEND system, including a white paper and funding formulae changes. Announcements on SEND system reforms are currently expected early in 2026.

4. Local Context

4.1 Plymouth City Council's projected SEND Deficit is currently forecast to reach £54m by 31 March 2026. In order to recognise the impact Plymouth's growing SEND deficit has on Treasury Management activities, the City Council's liability benchmark is being presented in two formats (including and excluding the estimated SEND Deficit) for the first time in this report, see charts presented under paragraph 12.16, below.

4.2 On 31st March 2025, the Authority had net borrowing of £703m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1a: Balance Sheet Summary

	31/03/25 Actual £m	31/03/26 Forecast £m
General Fund CFR	870	911
Less: Other debt liabilities *	(93)	(87)
Borrowing CFR	**777**	**824**
Less: Usable reserves	(54)	(54)
Less: Working capital	(20)	11
Net borrowing	**703**	**781**

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

CFR represents the total amount of capital expenditure that has not yet been financed by capital receipts, grants, or contributions. CFR is not the same as the actual amount of borrowing (loans) held by the authority. Instead, it is an accounting measure that shows the cumulative value of capital expenditure that has been financed by borrowing or other temporary means. It is a way of tracking the long-term impact of capital decisions on the authority's balance sheet.

4.3 At 31 March 2025 the Council's underlying need to borrow for capital purposes as measured by the CFR was £870m, with usable reserves of £54m broken down in table below:

Table 1b: Usable Reserve Summary

	£m
General Fund Balance	(60)
Earmarked General Fund	61
Capital Receipts reserve	16
Capital Grants Unapplied	37
Balance as at 31 March 2025	**54**

4.4 The treasury management position on 30th September 2025 and the change over the six months is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.25 Balance £m	Movement £m	30.9.25 Balance £m	Average Rate %
PWLB – Fixed Rate	551	25	576	3.47
Short-term borrowing	80	40	120	2.25
LOBO Loans	54	(10)	44	4.50
Long Term Borrowing	18	0	18	4.37
Total borrowing	**703**	**55**	**758**	**3.36**
Short-term Money Market funds	23	71	94	4.02
Other Pooled Funds	50	0	50	5.46
Other investments	5	(1)	4	5.46
Cash, and cash equivalents	1	0	1	1.38
Total investments	**79**	**70**	**149**	**4.40**
Net borrowing	**624**	**(15)**	**609**	

4.5 The Council has an increasing CFR over the next 5 years due to spending on the capital programme, but will maintain its level of investments. We estimate that Plymouth City Council will require additional borrowing to finance its capital programme of up to £58m over the current year based on the capital monitoring as at 30th September 2025. This figure does not include borrowing required to fund the DSG deficit, or to re-finance loans that are due for repayment.

5. Borrowing Strategy and Activity

5.1. As outlined in the treasury strategy, the Authority's chief objective when borrowing has been to strike an appropriate risk balance between securing lower interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective. The Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

5.2. After substantial rises in interest rates since 2021 central banks have now begun to reduce their policy rates, albeit slowly. Gilt yields however have increased over the first half of the year amid concerns about inflation, the UK government's fiscal position and general economic uncertainty.

5.3. Plymouth City Council does the majority of its borrowing through the Public Works Loans Board (PWLB), and is able to take advantage of the 'certainty rate'. The PWLB certainty rate for 10-year maturity loans was 5.38% at the beginning of the period and 5.53% at the end. The lowest available 10-year maturity certainty rate was 5.17% and the highest was 5.62%. Rates for 20-year maturity loans ranged from 5.71% to 6.30% during the period, and 50-year maturity loans from 5.46% to 6.14%. The cost of short-term borrowing from other local authorities has been similar to the Base Rate during the period at 4.0% to 4.5%. To date in 2025/26, Plymouth have predominately borrowed in short term markets (Other Local Authorities and other lenders) at an average rate of 4.25% .

5.4. 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.

5.5. The Authority currently holds a portfolio of property investments within its Property Regeneration Fund (PRF) portfolio, acquired over a number of years at a total cost of c. £240m. Primarily this portfolio has been developed and is held to support the economic development and regeneration of the City, however some historic assets within the portfolio (purchased prior to the change in the CIPFA Prudential Code) were acquired primarily for commercial returns. In line with CIPFA guidance, we have carried out a review of the PRF portfolio to assess options for selling assets to raise finance, as an alternative to borrowing. At this stage we have concluded that disposal of assets at this time is unlikely to deliver best value for the council; however, the position will be kept under review during the second part of the year.

5.6. **Loans Portfolio:** At 30 September the Authority held £758m of loans, an increase of £55m compared to 31st March 2025. At 1 April 2025 the Council had £140m of PWLB borrowing due to mature in 2025/26, mainly in last quarter of year. Outstanding loans on 30th September totalled £758m are summarised in Table 2 above.

5.7. Following Arlingclose advice, and in consultation with the council's internal Treasury Management Board, during 2025/26 the Council is moving to a borrowing strategy focussing on utilising medium term PWLB Equal Instalment of Principal (EIP) loans rather than continued short term borrowing, or PWLB maturity loans. The key benefits of this approach are reduced interest costs over time, lower refinancing risk and improved cash flow management. In the current market, our Treasury Management advisors are recommending EIP structures for their balance of affordability and risk management, given the relatively volatile interest rate environment.

5.8. Overall, the Authority's borrowing decisions are not predicated on any one outcome for interest rates and a balanced portfolio of short, medium and long-term borrowing is maintained. We will continue to explore diversified funding sources, particularly where rates below the PWLB certainty rate can be achieved.

5.9. **LOBO loans**: On 31st March 2025 the Authority held £54m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate and terms or to repay the loan at no additional cost.

5.10. £10m of LOBO loans had annual/semi-annual call option dates during the six-month period to September 2025, lenders exercised options on the following loans:

Table 3: LOBO's Called In

	Amount £m	Rate %	Final Maturity	New Rate Proposed %	Action Taken by PCC
Dexia Credit Local	5	3.65	05/04/2078	6.33	Repaid
Dexia Bank	5	4.20	27/05/2065	6.47	Repaid

5.11. The Authority has £10m LOBO loans with call dates within the next 12 months. The Authority has liaised with treasury management advisors Arlingclose over the likelihood of the options being exercised. If the option is exercised and an increased rate proposed, the Authority plans to repay the loan at no additional cost as accepting the revised terms would mean the Authority would still have refinancing risk in later years. If required, the Authority will repay the LOBO loans with available cash or by borrowing from other local authorities or the PWLB over an appropriate loan term.

6. Treasury Management Budget 2025/26 and Latest Forecast

6.1 The Authority measures the financial performance of its treasury management activities in terms of its impact on the revenue budget as show in table 4 over.

6.2 During the first half of 2025/26 the Council took PWLB EIP loans to secure borrowing within the rate threshold set in the Treasury Management Strategy to cover refinancing for short and long term maturing debt, and to mitigate against interest risk. The cashflow benefit created from this action was invested in Money Market Funds with interest cost being offset by additional interest receivable.

Table 4: Treasury Management revenue position

Month 6 Table	2025/26 Budget	2025/26 Latest Forecast	Year End Variance
	£m	£m	£m
LOBO and other long term loans	3.128	2.802	(0.326)
PWLB (Public Works Loan Board)	20.136	20.358	0.222
Temporary loans	0.923	2.288	1.366
Other Interest and charges	0.811	0.699	(0.112)
Collateral Interest	1.324	1.247	(0.078)
Recharge to Departments for Unsupported Borrowing *(in accordance with business cases)*	(19.581)	(19.609)	(0.028)
Total Interest Payable	**6.741**	**7.785**	**1.044**
Pool Funds	(2.611)	(2.822)	(0.210)
Money Market Fund	(1.500)	(2.380)	(0.880)
Other Interest	(0.431)	(0.462)	(0.032)
Total Interest Receivable	**(4.542)**	**(5.664)**	**(1.122)**
Other Payments	0.552	0.634	0.082
Debt Management	0.160	0.160	0.000
Amortised Premiums	0.544	0.544	0.000
Total Other Charges	**1.256**	**1.338**	**0.082**
Minimum Revenue Provision	**20.504**	**20.504**	**0.000**
TOTAL	**23.959**	**23.963**	**0.004**

Favourable variances shown in (brackets)

7. Treasury Investment Activity

7.1 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the half year, the Authority's investment balances ranged between £26.3m and £125.3m due to timing differences between income and expenditure. The investment position during the half year is shown in table 2 above.

7.2 Both the CIPFA Code and government guidance requires the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council'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.

7.3 As demonstrated by the liability benchmark (see paragraph 12.6) in this report, 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 funds will be maintained to diversify risk into different asset classes and boost investment income.

Externally Managed Pooled Funds:

7.4 £50m of the Authority's investments are invested in externally managed strategic pooled bond, equity, multi-asset and property funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability.

7.5 Most asset classes achieved positive performance over the first half of the 2025/26 financial year, although conditions remained volatile and heavily influenced by political and macroeconomic developments. The gradual improvement in UK commercial property continued. Property fund capital values recorded marginal gains, while total returns were driven largely by rental income.

7.6 The combination of the above has had a positive effect on the combined value of the Authority's strategic pooled funds since March 2025. The current capital value as at 30 September 2025 is calculating an unrealised capital loss since purchase of £0.198m; this has been more than offset over the period by income yields above the rate that would have been secured through cash interest rates.

7.7 Income returns remained above budget at 5.46%. The Authority had budgeted £2.611m income from these investments in 2025/26 and we are now forecasting £2.822m.

7.8 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 on months, quarters and even years; but with the confidence that over a three- to five-year minimum period total returns will exceed cash interest rates.

7.9 **Statutory override**: Further to consultations in April 2023 and December 2024 MHCLG wrote to finance directors in England in February 2025 to confirm that the statutory override on accounting for gains and losses in pooled investment funds will be extended up until the 1st April 2029 for investments already in place before 1st April 2024. The override will not apply to any new investments taken out on or after 1st April 2024. Whilst this mitigates against the risk of having to account for unrealised losses (with a consequential impact on the council's revenue position), the authority is currently reviewing options for the future, looking towards a different risk profile from 2029/2030 onwards.

7.10 **Money Market Funds**: Although there is no overall cap on investments in Money Market Funds, the Council's approved Treasury Management Strategy for 2025/26 sets a £12m limit per counterparty. A comparison with similar councils shows the average limit is £16m. Raising the Council's limit to £15m would enable better returns from higher-interest investments and support early borrowing for debt maturing in 2025/26 – whilst remaining within the strategy and medium -term financial forecasts. Following a review of this position in conjunction with our advisors Arlingclose, and considering the relative volatility of interest rates, we are recommending an increase to the counterparty limit (to £15m per counterparty) in this mid-year report.

8. Non-Treasury Investments

8.1 The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. This is replicated in the Government's Investment Guidance, in which the definition of investments is further broadened to also include all such assets held partially for financial return.

8.2 As noted in paragraph 5.5 above, the Council also holds direct investments property within its Property Regeneration Fund.

8.3 The Authority's income from commercial and service investments as a proportion of its net revenue stream has been and is expected to be as indicated below.

Table 5: Net Income from Commercial and Service Investments to Net Revenue Stream

	2024/25 actual £m	2025/26 forecast £m	2026/27 budget £m	2027/28 budget £m
Total net income from service & commercial investments (£m)	(11.281)	(12.092)	(12.303)	(13.016)
Proportion of net revenue stream	4.77%	4.78%	4.81%	4.92%

9. Other Debt Activity

9.1 Although not classed as borrowing, the Council also raises capital finance via Private Finance Initiative (PFI), finance leases and other financing. As at 30 September 2025, total other debt was £93m including £71m of PFI, joint committee debt relating to the Tamar Bridge and Torpoint Ferry (PCC's share being £18m) and Finance leases totalling £4m. The Council has raised no additional PFI borrowing during the period to 30 September 2025.

10. MRP Regulations

10.1 On 10th April 2024 amended legislation and revised statutory guidance was published on Minimum Revenue Provision (MRP). Most of the changes take effect from the 2025/26 financial year, although there is a requirement that for capital loans given on or after 7th May 2024 sufficient MRP must be charged so that the outstanding CFR in respect of the loan is no higher than the principal outstanding less the Expected Credit Loss (ECL) charge for that loan. The council expects to meet this requirement during the 2025/26 financial year.

11. Compliance with Prudential Indicators

11.1 The Service Director of Finance (S151 Officer) reports that all treasury management activities undertaken during the half year complied fully with the principles in the Treasury Management Code and the Authority's approved Treasury Management Strategy, with the exception of the Treasury Management Indicator set relating to interest rate exposure, which is explained in paragraph 12.3 below. Compliance with specific investment limits is demonstrated in table 6 below.

Table 6: Investment Limits

	30.9.25 Actual	2025/26 Limit	Complied
Any group of funds under the same management	£25m	£25m	✓
Investments held in a broker's nominee account	£0m	£25m	✓
Foreign countries	£0m	£0m	✓
Registered Providers	£0m	£10m	✓
Unsecured investments with Building Societies	£0m	£10m	✓
Loans to unrated corporates	£0m	£20m	✓
Money Market Funds (maximum held across all funds)	£94m	unlimited	✓

11.2 Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 7 below.

Table 7: Debt & Authorised Limit and Operational Boundary

Operational Boundary	30.09.25 Actual £m	2025/26 Limit £m	Complied
Borrowing	758	788	✓
Other long-term liabilities	93	217	✓
Total Debt	851	1005	✓

Authorised Limit	30.09.25 Actual £m	2025/26 Limit £m	Complied
Borrowing	758	838	✓
Other long-term liabilities	93	217	✓
Total Debt	851	1055	✓

11.3 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.

12. Treasury Management Indicators

12.1 The Council measures and manages its exposures to treasury management risks using the following indicators.

12.2 **Security:** The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio.

Table 8: Security of investments

	30.09.25 Actual	2025/26 Target	Complied
Portfolio average credit rating	A	A	✓

12.3 **Liquidity:** The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments.

12.4 **Interest Rate Exposures:** This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures are set out in table 9 below, expressed as the proportion of net principal borrowed.

Table 9: Interest rate exposures

	Target	31/03/2025 Actual	30/09/2025 Actual	31/03/2026 Forecast
Upper limit on fixed interest rate exposure over **365** days	80%	77%	73%	79%
Upper limit on fixed interest rate exposure at **365** days		12%	11%	6%
Upper limit on variable interest rate exposure *below 365 days*	20%	11%	16%	15%

12.5 Under this Prudential Indicator, any borrowing with a term of less than one year must be classified as 'variable rate' borrowing, even where the interest rate is fixed for the duration of the loan. This classification primarily applies to borrowing from Other Local Authorities (OLAs), which is typically secured on a 364-day term.

12.6 When setting the limit within the Treasury Management Strategy last year, it was anticipated that preferential rates would be available through the OLA market. Accordingly, an upper limit of 80% was set for the fixed rate exposure indicator.

12.7 However, at the financial year end, the availability of OLA lending was limited. As a result, the interest rates offered included a market premium, making them more expensive than the one-year rate available from the PWLB. To secure better value, refinancing was undertaken through PWLB on a one-year term, which - due to its 365-day duration - was categorised as 'fixed rate exposure', despite being only one day longer than the typical OLA term.

12.8 As at 30 September 84% of borrowing was classified as fixed interest rate exposure, however of this 11% was represented by PWLB loans on a one-year fixed term. The percentage of fixed borrowing with a term of greater than one year was 73% and complied with the 80% upper limit boundary.

12.9 Both PWLB and OLA borrowing are taken on a fixed rate basis for the term of the loan, and the strategy employed was used to minimised interest rate burden without introducing any downside or upside risk. This instance of non-compliance has highlighted the need to revisit the Prudential Indicator, with a recommendation to increase the upper limit for fixed rate exposure as set out below.

12.10 Considering market conditions and the strategic refinancing undertaken to secure better value through one-year PWLB loans, it is recommended that the upper limit for fixed rate borrowing be increased to 100% (from the 80% currently set). This adjustment reflects the practical classification of PWLB one-year fixed term borrowing as 'fixed rate exposure', despite its minimal variance from the typical 364-day OLA term. Increasing the limit will ensure continued compliance with the Prudential Indicator while enabling the Authority to implement its interest rate risk mitigation strategy effectively and without constraint.

12.11 **Maturity Structure of Borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing have been met during the year to date – the actual maturity structure of borrowing at the mid-year point is shown in table 10 below.

Table 10: Maturity Structure of borrowing

Remaining time to maturity	31/03/2025 Actual £m	30/09/2025 Actual £m	31/03/2026 Forecast
Under 12 months	245.0	243.3	16%
12 months and within 24 months	22.6	59.3	15%
24 months and within 5 years	67.2	92.2	23%
5 years and within 10 years	23.3	23.3	3%
10 years and above	344.4	339.4	43%
	702.5	757.5	100%

12.12 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

12.13 Principal **Sums Invested for Periods Longer than 365 days:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be.

Table 10: Principal invested longer than 365 days

	30.09.25 Actual	Maximum Target	Complied
Limit on principal invested beyond year end	£0m	£10m	✓

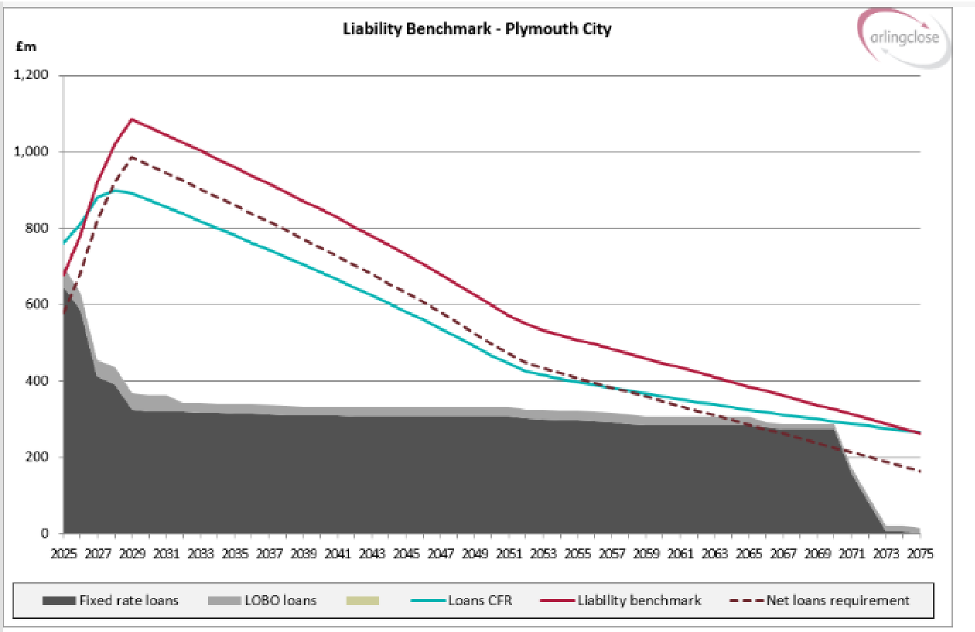
12.14 The Council does, however, has £27m invested in the CCLA Pooled Funds, and £25m in other pooled investment funds which the Council is holding the investment for the long term. However, these investments are classified as a short-term investment because they can be called upon at any point.

12.15 **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

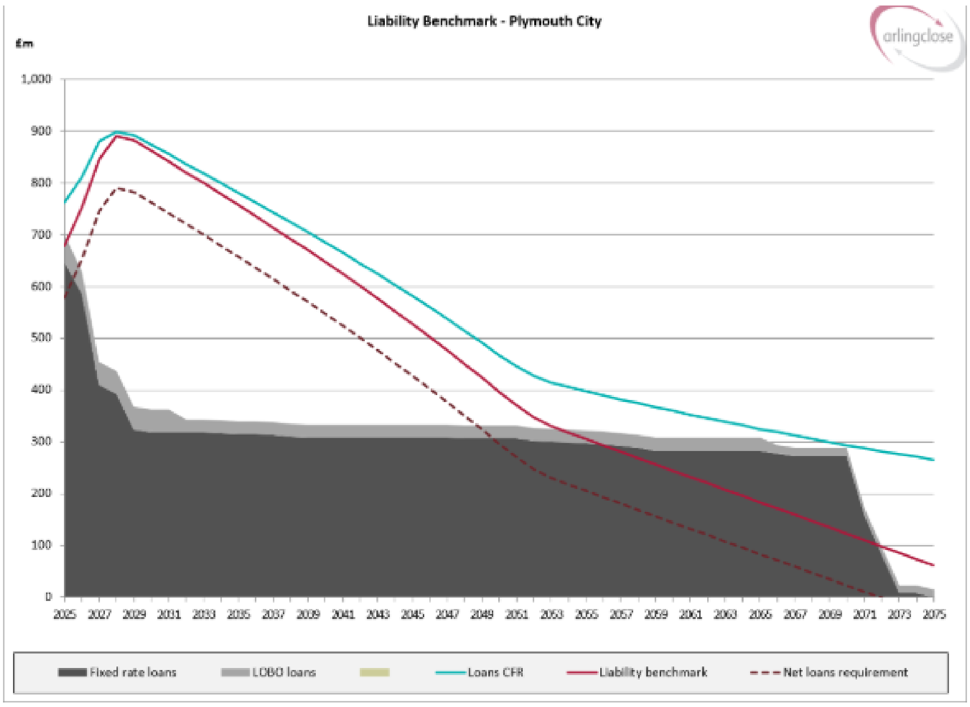
Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level of £50m required to manage day-to-day cash flow.

12.16 In this mid-year update, we have shown a liability benchmark curve including the SEND deficit, and excluding the SEND deficit. This illustrates the impact of including the projected SEND deficit on our borrowing profile, with the SEND deficit pushing the council's borrowing requirement above its Capital Financing Requirement (CFR). The longer term impact of SEND deficits is unknown – we await government guidance (due in early 2026) which will inform how SEND deficits are likely to be dealt with following the end of the statutory override in March 2028. This being the case, the liability benchmark curve including the SEND deficit should be considered as illustrative only for the medium and longer term.

Liability Benchmark chart with the SEND deficit



Liability Benchmark chart without the SEND deficit



13. Investment Training

13.1 During the period to 30 September 2025 officers attended the following Treasury Management training:

a. Arlingclose Meetings – including the Council's Treasury Management Board Meetings with members, officers and Treasury Management advisors.

b. Grant Thornton – Statement of Accounts closedown workshop

c. Arlingclose in person seminar October 2025

d. Arlingclose weekly Treasury Management seminars.

14. Arlingclose's Economic and Interest rate Forecast
as at 24 September 2025

14.1 In line with Arlingclose's forecast, the MPC held Bank Rate at 4% in September.

	Current	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28
Official Bank Rate													
Upside risk	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	4.00	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Downside risk	0.00	-0.25	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00

14.2 The MPC is forecast to continue to cut rates to stimulate the UK economy but will initially be cautious given lingering domestic inflationary pressure. Arlingclose predict another rate cut in 2025 (Q3), before balancing around 3.75%.