

## Quarter 1 2025/26 Treasury Management Report

### 1. Introduction

- 1.1 This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in the Public Services, the CIPFA Prudential Code for Capital Finance in Local Authorities.
- 1.2 It outlines the Council's borrowing, investment, and cash flow activities, along with the related risk management measures for Quarter 1.
- 1.3 All activities were conducted within the parameters of the 2025/26 Treasury Management Strategy Statement (TMSS) approved on 6<sup>th</sup> March 2025. Advice has been provided by Arlingclose, the Council's treasury advisors.
- 1.4 During the period external borrowing decreased from £458.48 to £454.57 million at an average rate of 3.57%, with no new borrowing undertaken for capital purposes. Investment balances ranged from £10.04 million to £47.26 million, with a closing balance of £23.55 million and at a return of 4.33%. Investment income was marginally below budget by £0.01 million, while external interest paid was £4.15 million below budget.

### 2. Economic Context

- 2.1 The Council uses treasury advisory service of Arlingclose Ltd. The following is an extract from their June economic forecasts (updated to reflect August interest rate and gilt yield projections).
- 2.2 Financial markets experienced heightened volatility at the start of the quarter following the announcement of broad reciprocal trade tariffs by U.S. President Donald Trump in April. The inclusion of the UK in these measures led to uncertainty across domestic equity and bond markets. Although a subsequent 90-day suspension of most tariffs was positively received, market instability persisted throughout the period.
- 2.3 UK headline inflation (CPI) rose from 2.6% in March to 3.6% in June, exceeding the Bank of England's 2% target. Services inflation remained unchanged at 4.7%.
- 2.4 GDP growth slowed to 0.3% in Q2 (April–June 2025), down from 0.7% in Q1.
- 2.5 Labour market conditions weakened, with declines in payrolled employment, reduced vacancies, and rising unemployment. However, wage growth remained elevated, presenting a policy challenge for the Bank of England.
- 2.6 On 11 August 2025, Arlingclose updated its interest rate and gilt yield forecast. The Base Rate is expected to fall by 25 basis points to 3.75% in November 2025. The 10-year gilt yield is projected to rise by 10 basis points in September and remain between 4.35% and 4.5% over the forecast horizon.

	Current	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28
<b>Official Bank Rate</b>													
Upside risk	0.00	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	-4.00	-4.00	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	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
<b>3-month money market rate</b>													
Upside risk	0.00	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	-4.01	-4.00	3.80	3.75	3.80	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85
Downside risk	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
<b>5yr gilt yield</b>													
Upside risk	0.00	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	-4.00	4.00	3.95	3.95	3.95	3.95	4.00	4.05	4.10	4.10	4.10	4.10	4.10
Downside risk	0.00	-0.60	-0.65	-0.70	-0.75	-0.80	-0.85	-0.90	-0.95	-1.00	-1.05	-1.10	-1.10
<b>10yr gilt yield</b>													
Upside risk	0.00	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	-4.56	-4.50	4.40	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35
Downside risk	0.00	-0.60	-0.65	-0.70	-0.75	-0.80	-0.85	-0.90	-0.95	-1.00	-1.05	-1.10	-1.10
<b>20yr gilt yield</b>													
Upside risk	0.00	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	5.26	5.10	5.00	4.90	4.80	4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.75
Downside risk	0.00	-0.60	-0.65	-0.70	-0.75	-0.80	-0.85	-0.90	-0.90	-0.90	-0.90	-0.90	-0.90
<b>50yr gilt yield</b>													
Upside risk	0.00	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	-4.80	-4.80	4.70	4.60	4.50	4.45	4.45	4.45	4.45	4.45	4.45	4.45	4.45
Downside risk	0.00	-0.60	-0.65	-0.70	-0.75	-0.80	-0.85	-0.90	-0.90	-0.90	-0.90	-0.90	-0.90

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%; PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%  
PWLB HRA Rate (Maturity Loans) = Gilt yield + 0.40%; National Wealth Fund Rate (Maturity Loans) = Gilt yield + 0.40%

### 3. Treasury Management Position and Performance as at 30 June 2025 (Quarter 1)

- 3.1 At the end of the 2024/25 financial year, the Authority's Capital Financing Requirement (CFR) was £721.20 million, representing the total capital borrowing need. This compared to £668.0m assumed in the 2025/26 TMSS. Now that the Council has published all Statements of Accounts up to and including 2023/24, the opening CFR has been adjusted accordingly. Furthermore, the application to MHCLG for £14.75m of additional Exceptional Financial Support (EFS) 2023/24, in the form of capitalisation direction, is reflected in the revised opening CFR. The additional EFS is subject to approval.
- 3.2 For 2025/26, the CFR assumed at the year-end in the Treasury Management Strategy was £646.70 million. However, the latest forecast suggests the closing CFR will be £718.76 million, reflecting updated opening position and current capital expenditure expectations.

	31.3.25 Actual £m	31.3.26 TMS approved £m	31.3.26 Forecast £m
General Fund CFR	558.27	482.07	555.83
HRA CFR	162.93	164.64	162.93
<b>Total CFR</b>	<b>721.20</b>	<b>646.70</b>	<b>718.76</b>
Less: *Other debt liabilities	29.48		27.16
<b>Borrowing CFR</b>	<b>691.72</b>	<b>646.70</b>	<b>691.60</b>
<b>External Borrowing</b>	<b>458.48</b>	<b>436.68</b>	<b>454.17</b>
<b>(Over) /Under Borrowing</b>	<b>233.24</b>	<b>210.03</b>	<b>237.43</b>

\* lease and PFI liabilities and transferred debt that form part of the Authority's total debt

### 3.3 Borrowing Position

- External borrowing decreased from £458.48 million to £454.57 million, with a weighted average interest rate of 3.57% and an average maturity of 9.29 years.
- No new borrowing was undertaken for capital expenditure during the period.
- £10 million of PWLB loans were refinanced, whilst £13.91 million was repaid during the period.

	31.3.25	31.3.25		30.6.25	30.6.25
	Balance	Rate	Movement	Balance	Rate
	£m	%	£m	£m	%
External Borrowing	458.48	3.5891%	-3.91	454.57	3.5726%
<b>Total borrowing</b>	<b>458.48</b>	<b>3.5891%</b>	<b>-3.91</b>	<b>454.57</b>	<b>3.5726%</b>
MMF	-13.61	4.5636%	-9.94	-23.55	4.3257%
Long-term Investments					
<b>Total investments</b>	<b>-13.61</b>	<b>4.5636%</b>	<b>-9.94</b>	<b>-23.55</b>	<b>4.3257%</b>
<b>Net borrowing</b>	<b>444.87</b>		<b>-13.84</b>	<b>431.03</b>	

	31.3.25	Net	30.6.25	30.6.25	30.6.25
	Balance	Movement	Balance	Weighted	Weighted
	£m	£m	£m	Average	Average
				Rate	Maturity
				%	(years)
Public Works Loan Board	445.48	-3.91	441.57	3.556%	8.47
Banks (LOBO)	9.00	-	9.00	3.883%	40.82
(Lender's Option Borrower's Option)					
Bank Fixed Term	4.00	-	4.00	4.760%	29.05
	<b>458.48</b>	<b>-3.91</b>	<b>454.57</b>	<b>3.573%</b>	<b>9.29</b>

3.4 In the first quarter of 2025/26, the Council achieved £5.822 million in capital disposal receipts—£2.425 million from the General Fund (including 4 disposals to the value of £1.65 million to the HRA) and £3.397 million from the HRA.

3.5 The Authority has no new plans to borrow to invest primarily for financial return.

3.6 Total external interest paid on an accrual basis during the period was £0.40 million, which was £4.15 million below the budget.

External Interest Paid	Actual £m	Budget £m	Variance £m
General Fund	0.22	3.39	-3.16
HRA	0.17	1.15	-0.98
<b>Total</b>	<b>0.40</b>	<b>4.54</b>	<b>-4.15</b>

### 3.7 Investment Position

- Investment balances ranged from £10.04 million to £47.26 million during the quarter, with a closing balance of £23.55 million as at 30 June 2025, and at an rate of return of 4.33%.
- Interest income from investments totalled £0.24 million during the reporting period, which was marginally below the budgeted figure of £0.25 million.
- Investments were placed in AAA-rated Money Market Funds, providing daily liquidity and maintaining a low risk profile.

	31.3.25 Balance £m	Net Movement	30.6.25 Balance £m	30.6.25 Return %
Government: DMADF	-	-	-	
Money Market Funds	-13.61	-9.94	-23.55	4.326%
Banks (Overnight)	-1.28	1.07	-0.20	1.750%
<b>Total Investments</b>	<b>-14.89</b>	<b>-8.86</b>	<b>-23.75</b>	

Treasury investments -MMF	Minimum Credit Criteria	Weighted Average Maturity (days)	Rate of Return
31.03.2025	AAA	Daily	4.5636%
30.06.2025	AAA	Daily	4.3257%

	Actual £m	Budget £m	Variance £m
Interest on Investment	-0.24	-0.25	0.01
<b>Total</b>	<b>-0.24</b>	<b>-0.25</b>	<b>0.01</b>

- 3.8 At 30 June 2025, the Council held £57.84 million in loans to subsidiaries and joint ventures, generating £0.47 million in interest during Q1 2025/26 at an average rate of 3.15%. This compares to a balance of £62.76 million and £1.86 million in interest receivable as at 31 March 2025. The reduction reflects the repayment of a £5 million loan by Slough Children First Ltd during the quarter.

Balance at 31/3/2025 £m	Interest receivable 2024/25 £m	Debtor	Balance at 30/6/2025 £m	Interest Receivable Q1 2025/26 £m	Rate %
51.70	1.55	James Elliman Homes	51.70	0.39	3.000%
0.90		SUR LLP*	0.90		5.000%
5.17	0.23	GRE 5 Ltd *	5.24	0.08	6.000%
5.00	0.08	Slough Children First Ltd*	-	-	-
<b>62.76</b>	<b>1.86</b>		<b>57.84</b>	<b>0.47</b>	<b>3.15%</b>

#### 4. Prudential Indicators

4.1 The Liability Benchmark compares the Council's actual borrowing to a calculated benchmark that reflects the lowest-risk level of borrowing. This indicates that the Council is positioned as a long-term borrower, which has implications for its strategic financial planning. The benchmark estimates the minimum level of external borrowing required to fund current capital and revenue plans while maintaining a £10 million liquidity buffer for day-to-day cash flow needs.

	31.3.25 Actual £m	31.3.26 Forecast £m	31.3.27 Forecast £m	31.3.28 Forecast £m
Loans CFR	691.72	691.60	686.48	674.85
Less: Balance sheet resources	-233.24	-197.46	-184.74	-178.65
<b>Net Indebtedness</b>	<b>458.48</b>	<b>494.14</b>	<b>501.74</b>	<b>496.20</b>
Plus: Liquidity allowance	13.61	10.00	10.00	10.00
<b>Liability benchmark</b>	<b>472.09</b>	<b>504.14</b>	<b>511.74</b>	<b>506.20</b>
<b>Loans</b>	<b>458.48</b>	<b>380.36</b>	<b>350.30</b>	<b>306.02</b>

4.2 The Maturity Structure of Borrowing is designed to manage the Council's exposure to refinancing risk by setting upper and lower limits on the maturity profile of its borrowing.

Refinancing risk indicator	2025/26 TMS		2025/26 Actual	Complied
	Upper limit	Lower limit		
Under 12 months	50%	0%	21.52%	Yes
12 months and within 24 months	70%	0%	3.80%	Yes
24 months and within 5 years	70%	0%	17.01%	Yes
5 years and within 10 years	70%	0%	21.49%	Yes
10 years and above	70%	0%	36.17%	Yes

4.3 The Council monitors its capital expenditure, borrowing, and investment activities using a set of key prudential indicators. Cabinet approved a number

of amendments and reprofiling of the capital programme at its meeting on the 15<sup>th</sup> September. Those changes are reflected in the table below.

### Capital Expenditure

Estimates of Capital Expenditure	2024/25 Actual £m	2025/26 Forecast £m	2026/27 Forecast £m	2027/28 Forecast £m
General Fund	35.78	54.64	35.27	12.28
Council Housing (HRA)	18.24	26.52	20.40	20.47
<b>TOTAL</b>	<b>54.02</b>	<b>81.16</b>	<b>55.67</b>	<b>32.75</b>

### Capital Financing Requirement

Estimates of Capital Financing Requirement	2024/25 Actual £m	2025/26 Forecast £m	2026/27 Forecast £m	2027/28 Forecast £m
<b>General Fund services</b>	432.86	420.97	410.05	398.86
<b>Capitalisation Direction</b>	125.41	134.86	138.91	136.54
Council housing (HRA)	162.93	162.93	162.93	162.93
<b>TOTAL CFR</b>	<b>721.20</b>	<b>718.76</b>	<b>711.88</b>	<b>698.33</b>

### Gross Debt and the Capital Financing Requirement

Gross Debt and the Capital Financing Requirement	2024/25 Actual £m	2025/26 Forecast £m	2026/27 Forecast £m	2027/28 Forecast £m
Debt (incl. PFI & leases)	487.96	486.40	487.68	478.59
Capital Financing Requirement	721.20	718.76	711.88	698.33

- 4.4 The Authority is required by law to set an annual Authorised Limit for external debt. In accordance with statutory guidance, a lower Operational Boundary is also established as an early warning threshold if borrowing approaches the authorised limit.

	Maximum Debt Q1 2025/26	Debt 30.6.25	Authorised Limit 2025/26	operational Boundary 2025/26
Borrowing	468.48	454.57	654.90	434.80
PFI and Finance Leases	29.48	27.16	27.20	27.20
<b>Total Debt</b>	<b>497.96</b>	<b>481.73</b>	<b>682.10</b>	<b>462.00</b>

- 4.5 The Proportion of Financing Costs to Net Revenue Stream is monitored to ensure debt servicing remains affordable and does not place excessive pressure on the revenue budget.

**Proportion of Financing Costs to Net Revenue Stream**

<b>Proportion of Financing Costs to Net Revenue Stream</b>	<b>2024/25 Actual £m</b>	<b>2025/26 Forecast £m</b>	<b>2026/27 Forecast £m</b>	<b>2027/28 Forecast £m</b>
General Fund Financing Costs	24.72	25.69	26.15	28.73
General Fund Net Income	150.81	171.31	182.95	192.87
<b>Ratio of Financing Costs to Net Revenue Stream</b>	<b>16.4%</b>	<b>15.0%</b>	<b>14.3%</b>	<b>14.9%</b>

<b>Proportion of Financing Costs to Net Revenue Stream</b>	<b>2024/25 Actual £m</b>	<b>2025/26 Forecast £m</b>	<b>2026/27 Forecast £m</b>	<b>2027/28 Forecast £m</b>
HRA Financing Costs	4.07	4.38	4.62	4.32
HRA Net Income	45.70	45.81	46.71	48.14
<b>Ratio of Financing Costs to Net Revenue Stream</b>	<b>8.9%</b>	<b>9.6%</b>	<b>9.9%</b>	<b>9.0%</b>