

## **Slough Borough Council**

<b>Report To:</b>	Audit and Corporate Governance Committee
<b>Date:</b>	21 January 2026
<b>Subject:</b>	Treasury Management Mid-Year Report 2025-26
<b>Chief Officer:</b>	Ian ODonnell, Executive Director for Corporate Resources
<b>Contact Officer:</b>	Nick Penny, Finance Director- Financial Management
<b>Ward(s):</b>	All
<b>Exempt:</b>	NO
<b>Appendices:</b>	Appendix 1 – Treasury Management Mid-Year Report 2025-26

### **1. Summary and Recommendations**

- 1.1. This report provides a summary of the Council's treasury management activity and performance for the first half of the financial year 2025/26, in accordance with the CIPFA Code of Practice for Treasury Management.
- 1.2. The CIPFA Treasury Management Code of Practice requires presentation of a mid-year treasury management report to Audit and Governance Committee/Full Council, setting out progress of the capital position, amending prudential indicators as necessary, and whether the treasury activity is meeting the strategy or whether any policies require revision.

### **Recommendations:**

The Audit and Corporate Governance Committee is asked to:

1. Consider and comment on the Treasury Management Mid-Year Report for 2025/26 as set out in Appendix 1

### **Reasons:**

The Committee has delegated responsibility to oversee treasury management activity and performance. This review enables the Committee to assure itself that the Council is managing its borrowing, investments, and cash flow prudently and in line with approved strategies. This report, subject to any amendments recommended by this Committee, or any concerns that Committee decide should be escalated, will be progressed to Full Council for approval.

### **Commissioner Review**

This report is outside the scope for pre-publication commissioner review; please check the [Commissioners' instruction 5 to CLT to sign off papers](#) for further details.

## 2. Introduction

- 2.1. This report has been prepared in line with the CIPFA Treasury Management Code and Prudential Code. It covers the Council's borrowing, investment, and cash flow activities from 1 April to 30 September 2025, and provides treasury management forecasts for the remainder of the financial year in line with the position presented to Cabinet as part of the Quarter 2 Budget Management Report at its meeting in November 2025.
- 2.2. The Council's Treasury Management Strategy 2025/26 (TMS) was approved by Full Council at its meeting on the 6th March 2025. All treasury activities have been conducted within the parameters of the TMS. External advice regarding the Treasury Management Strategy has been provided by Arlingclose, the Council's treasury advisors.
- 2.3. The report confirms compliance with the TMS and highlights progress toward financial recovery, including risk management and adherence to prudential indicators.
- 2.4. Following completion of the draft Statement of Accounts for 2024/25 the opening Capital Financing Requirement (CFR) for the year has been amended, taking account of the impact of the additional Exceptional Financial Support of £14.75m requested for 2023/24 and utilisation of General Fund Capital Receipts during 2024/25 against prior years' Capitalisation Directions. The opening CFR is now confirmed as £688.5m, compared to the Treasury Management Strategy estimated CFR of £668.0m as set out in the table below:

Table 2.1 Capital Financing Requirement reconciliation pre- and post-2024/25 account finalisation:

Summary of changes	£m
<b>Estimated Opening CFR from TMS</b>	<b>668.5</b>
IFRS 16	4.30
Additional Exceptional Financial Support	14.75
Other Adjustments as part of Closing of Accounts	0.4
<b>Opening CFR as per draft 2024/25 accounts</b>	<b>688.0</b>

- 2.5. The detailed report is set out as Appendix 1, and key highlights summarised below:

## 3. Key Highlights

- 3.1. As at 30<sup>th</sup> September external debt was £458.3m, compared to £458.5m at the beginning of the financial year. It is £3.7m higher than the first quarter position of £454.6m reported to Audit and Risk Committee in November 2025, as a consequence of General Fund revenue and DSG net overspends, partly mitigated by capital and HRA net underspends.
- 3.2. The weighted average interest rate was 3.59%, with an average maturity of 9.13 years. During the first 6 months of the year, £30.2m of loans have been repaid at an average rate of 4.731%, and £30.0m of refinancing loans were required to ensure liquidity, a net reduction of £0.2m over the period. The refinancing loans were PWLB Equal Instalment Payment (EIP) loans at an average rate of 4.763%.

- 3.3. Due to the above refinancing activity, the average interest rate on the debt portfolio increased slightly, reflecting the retention of higher-rate loans while some lower-rate debt was repaid. Total interest payments to end September amounted to £7.0m, which is £1.4m below the budgeted assumption of £8.5m.
- 3.4. The 2025/26 projected outturn position reflected in the TMS was £436.7m. Based on the information reported in the quarter 2 monitoring report, as presented to Cabinet in November, and associated cash forecasting, the external debt position is now forecast to be £455.0m. Table 3.1 is a Borrowing Forecast summary that compares approved borrowing levels against updated projections for the financial year. The additional borrowing is due to the financial pressure on the General Fund (£17.5m overspend at Period 2) and the Dedicated Schools Grant.

Table 3.1 Borrowing Forecast

<b>Borrowing Forecast</b>	<b>£m</b>
TMS Forecast Outturn Position at February 2025	436.7
TMS Forecast Outturn Position at September 2025	455.0
<b>Movement</b>	<b>18.3</b>

- 3.5. During the first 6 months of 2025/26, the Council generated £6.3m in capital receipts from asset disposals, comprising of £2.4m General Fund and £3.9m HRA. The revised full-year forecast as per Q2 report is £27.2m, compared to £21.7m (GF only disposals) assumed in the approved TMS. Of the forecast £27.2m disposals for 2025/26, £14.7m of disposals relate to HRA assets, and £12.5m General Fund which will be available to apply against prior years' Capitalisation Directions. Increased HRA asset disposals are reflected in the HRA balance sheet resources available to mitigate the need for further external borrowing.
- 3.6. Average investment balances for the period were £37.0m, with £27.5m held in Money Market Funds at 4.1%. Investment income exceeded budget by £0.1m due to higher balances and rates.
- 3.7. Compliance - All treasury activities complied with the CIPFA Code and TMS. Maturity structure and refinancing risk indicators remain within approved limits, and there was no borrowing for yield.

#### **4. Implications of the Recommendation**

##### **4.1. Financial Implications**

- 4.1.1 This report is for noting and for consideration going forward as part of effective governance of the Treasury Management of the Council. Treasury activities are aligned with the approved TMS and support the Council's financial recovery through prudent debt management and asset disposals. The Council operates under the Local Government Act 2003 and associated regulations, with a duty to ensure borrowing is affordable, prudent, and sustainable.

Treasury decisions are made in accordance with the approved TMS. Any deviation must be approved by Full Council.

- 4.1.2 The Council continues to manage its asset disposal plan to generate capital receipts and reduce borrowing.

#### 4.2. Legal Implications

- 4.2.1 The Local Government Act 2003 provides the Council with the power to borrow and invest money for any purpose relevant to its functions and for the prudent management of its financial affairs. The Council is under a duty to determine and to keep under review how much money it can afford to borrow. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, provide that, in complying with this duty, the Council must have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities and CIPFA's Treasury Management Code of Practice.

- 4.2.2 Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to provide sufficient liquidity to meet corporate objectives.

- 4.2.3 Full Council is required to approve a Treasury Management Strategy and investment decisions must be made in accordance with that. Any decision to depart from this Strategy must be agreed by Full Council. This Committee has responsibility for monitoring and scrutinising the TMS and review performance against the assumptions within it.

#### 4.3. Risk Management

##### 4.3.1 Key risks include:

- Asset sales do not generate expected receipts or are delayed, with impact on cash receipts and financing the capitalisation directions. The position is reviewed and reported on regularly and financial assumptions amended accordingly
- Interest rates rise, increasing the cost of borrowing. This is mitigated by regular cash flow monitoring and advice from the Council's treasury advisors. In the current environment, UK short-term interest rates are expected to decline following the Bank of England's December cut to 3.75% and forecasts pointing to further easing towards 3 - 3.5% through 2026. Meanwhile, long-term borrowing already includes a built-in premium an additional yield demanded by investors to compensate for the risks of extended maturities meaning the cost of long-term debt reflects this term premium upfront.
- Budget overspends, where cash payments exceed cash received, risk failing to reduce external debt in line with financial assumptions, increasing debt management costs and requiring the delivery of further savings mitigations.

- 4.3.2 Best practice and learning from other local government failures has identified that a failure to properly review and monitor treasury management activity can expose the Council to significant financial risk. It is critical that the Council adheres to best practice governance and assurance protocols as set out by CIPFA and MHCLG.

## **5. Background Papers**

None