

Appendix 1

Treasury Management Mid-Year Outturn Report 2025/26

1. Introduction

1.1 This report provides a summary of the council's treasury management activities and Performance during the first six months of the financial year 2025/26, as required by CIPFA's Code of Practice for Treasury Management. It confirms Slough Borough Council's compliance with the approved Treasury Management Strategy and policies, and highlights progress toward financial recovery. The report also demonstrates the application of robust risk controls, including adherence to prudential indicators, liquidity management, and credit risk monitoring, ensuring that all Treasury operations are conducted within the Council's risk appetite and regulatory framework.

1.2 The 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. It provides details of Slough Borough Council's (SBC) investment and borrowing activities for the period from 1 April 2025 to 30 September 2025 and highlights any relevant issues.

1.3 All treasury activities have been conducted within the parameters of the Treasury Management Strategy Statement for 2025-26 (TMS) which was approved on 6th March 2025.

1.4 External advice regarding the TMS and activity during the year has been sought from Arlingclose, the Council's treasury management advisors.

1.5 The report provides an overview of the Council's Treasury activities for the period from 1 April 2025 to 30 September 2025, covering borrowings, investments, and cash balances.

2. Economic Update

2.1 The UK's modest growth of 0.3% per quarter in both Q2 and Q3 of the calendar year reflects a fragile recovery amid persistent headwinds. Fiscal tightening through spending restraint and limited stimulus has dampened domestic demand, while global uncertainty, including trade tensions and geopolitical risks, continues to weigh on business investment. The International Monetary Fund full-year forecast of 1.3% is slightly more optimistic, likely factoring in stronger performance in Q1 and potential resilience in Q4. However, GDP per

capita growth remains subdued, highlighting ongoing challenges in productivity and living standards.

2.2 Inflation remains elevated, with CPI at 3.8% and CPIH at 4.1% as of September 2025. Wage growth of 4.7% and an unemployment rate of 4.8% over the three months to August indicate a resilient but cooling labour market.

2.3 The Bank of England has maintained its base rate at 4.0%, following five cuts since 2024. Quantitative tightening continues, though gilt sales have been scaled back to £70bn over the period from October 2025 to September 2026. Despite rate cuts, 10-year gilt yields remain near 2008 highs, driven by market expectations, reduced pension fund demand, and debt sustainability concerns.

2.4 The council's treasury consultant, Arlingclose, updated its interest rate and gilt yield forecast on 24 September 2025. The Bank of England's base rate is expected to remain at 3.8% through December 2025 and hold steady at that level until at least September 2028 under the central case scenario. Meanwhile, the 10-year gilt yield is projected to ease gradually from 4.6% in December 2025 to around 4.4% by September 2028, reflecting expectations of a stable monetary policy stance and moderating inflation pressures.

	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											
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
3-month money market 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	4.01	3.80	3.75	3.80	3.85								
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
5yr gilt yield													
Upside risk	0.00	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.10	4.00											
Downside risk	0.00	-0.65	-0.70	-0.75	-0.80	-0.85	-0.90	-0.95	-1.00	-1.05	-1.05	-1.05	-1.05
10yr gilt yield													
Upside risk	0.00	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.68	4.50	4.45	4.40									
Downside risk	0.00	-0.65	-0.70	-0.75	-0.80	-0.85	-0.90	-0.95	-1.00	-1.05	-1.05	-1.05	-1.05
20yr gilt yield													
Upside risk	0.00	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	5.37	5.20	5.10	5.00									
Downside risk	0.00	-0.65	-0.70	-0.75	-0.80	-0.85	-0.90	-0.95	-1.00	-1.05	-1.05	-1.05	-1.05
50yr gilt yield													
Upside risk	0.00	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.87	4.80	4.75	4.65	4.70								
Downside risk	0.00	-0.65	-0.70	-0.75	-0.80	-0.85	-0.90	-0.95	-1.00	-1.05	-1.05	-1.05	-1.05

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 Strategy Update

3.1 The Council's Treasury Management Strategy 2025/26 (TMS) was approved by Full Council on 6th March 2025.

3.2 There have been no formal changes to the approved Treasury Management Strategy for 2025/26. The Council continues to operate within the agreed parameters for borrowing, investment limits, and risk management.

3.3 Since the publication of the TMS in March 2025 there has been an increase in the borrowing requirement due to spending pressures across General Fund services, in particular Temporary Accommodation (TA), Adults Social Care and the Dedicated Schools Grant (DSG). However, based on current projections, this is unlikely to exceed the authorised borrowing limits set out in the strategy.

4. Treasury Management Outturn Position at 30 September 2025

4.1 As at 30 September 2025, the Authority had net borrowing of 430.8m on (see Table 4.2), a rising 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 balance sheet resources represent the underlying resources available for investment. These factors are summarised in the table below.

Table 4.1

	31.3.25	31.3.26	31.3.26
	Actual	Forecast	TMS Approved
	£m	£m	£m
General Fund CFR	525.6	528.26	480.27
HRA CFR	162.92	162.92	164.64
Total CFR	688.53	691.18	644.9
Less: *Other debt liabilities	-33.81	-30.85	
Borrowing CFR	654.72	660.33	644.9
External Borrowing	458.48	455	436.7
(Under) / Over benchmark:	196.24	205.33	208.2

4.2 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 against prior years' Capitalisation Directions. The opening CFR is now confirmed as £688.5m, compared to the Treasury Management Strategy estimated opening CFR of £668.0m. The change in

the CFR requirement was due to corrections made as part of reconciliation of the backlog of accounts, including updating the fixed asset register and reconciling it to MRP and CFR records

4.3 The Council's borrowing requirement is increasing due to significant financial pressures. The General Fund revenue position at Quarter 2 reflects a forecast overspend of £17.5m, prior to the impact of mitigating actions required to control the deficit. While the General Fund capital programme showed a forecast underspend of £9.8m, this is offset by overspends in the Housing Revenue Account capital budget (£0.3m) and a reduced surplus in HRA revenue (£0.3m). Additionally, the Dedicated Schools Grant continues to be under financial pressure, with a net deficit of £9.4m after Safety Valve support. Delays in asset disposals and accrual adjustments may further impact borrowing needs.

4.4. The forecast external borrowing position of £455.0m is based on current net cashflow assumptions which may change as the spending controls implemented from October 2025 start to take effect.

4.5. The treasury management outturn position at 30 September 2025 and the change during the year is shown in Table below.

Table 4.2

	31.3.25 Balance £m	31.3.25 Rate %	Movement £m	30.9.25 Balance £m	30.9.25 Rate %
External Borrowing	458.48	3.589%	-0.20	458.27	3.590%
Total borrowing	458.48	3.589%	-0.20	458.27	3.590%
MMF	-13.61	4.564%	-13.91	-27.52	4.089%
Long-term Investments					
Total investments	-13.61	4.564%	-13.91	-27.52	4.089%
Net borrowing	444.87		-14.11	430.76	

4.6. 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.

5. Borrowing Activity

5.1. As at 30 September 2025, the Council's external debt stood at £458.3m, with a weighted average interest rate of 3.59% and a weighted average maturity of 9.13 years. This represents a reduction of £0.2m compared to the position at 31 March 2025.

Table 5.1

	31.3.25 Balance £m	Net Movement £m	30.9.25 Balance £m	30.9.25 Weighted Average Rate %	30.9.25 Weighted Average Maturity (years)
Public Works Loan Board	445.48	-0.20	445.27	3.574%	8.32
Banks (LOBO)	9.00	-	9.00	3.883%	40.57
Bank Fixed Term	4.00	-	4.00	4.760%	28.79
	458.48	-0.20	458.27	3.590%	9.13

Note: LOBO refers to Lender's Option Borrower's Option instruments

5.2. Between 31 March and 30 September 2025, the Council's external borrowing reduced slightly from £458.48m to £458.3m, representing a net repayment of £0.2m. This movement reflects £30m of debt refinancing at an average rate of 4.76%, offset by £30.2m of repayments at an average rate of 4.73%. The overall average interest rate on the debt portfolio increased marginally from 3.589% to 3.590%, driven by some lower-rate debt maturing.

5.3. £30m PWLB EIP loans were secured to support long-term planning, with borrowing aligned to maintain a £10m liquidity buffer.

5.4. The Council holds no commercial investments acquired for financial return and has not borrowed for yield generation. This aligns with the revised CIPFA Prudential Code, which discourages such borrowing and supports prudent financial management.

5.5. The Council uses a two-pool treasury approach, separating General Fund and HRA debt. The HRA operates under self-financing and manages its own debt. The table below shows external borrowing as at 30 September 2025, split between GF and HRA.

Table 5.2

Borrowing	31.3.25 £m	30.9.25 £m
General Fund	336.24	336.04

HRA	122.23	122.23
Total	458.48	458.27

5.6. As at 30 September 2025, the Council held £13m in Lender Option Borrower Option (LOBO) loans. A LOBO loan embeds a right for the lender to propose a new interest rate. The borrower either accepts the new interest rate or repay the loan in full. If the call occurs on the option date (like 07/04/2026 for FMS), the council will not pay penalty. These allow lenders to propose rate changes at set intervals. £4m with Dexia was not called on 28 April 2025 and continues at 3.75%. The remaining £9m with FMS, at 3.99%, may be called on 7 April 2026, potentially requiring refinancing or repayment.

5.7. The Council expects to undertake further debt refinancing this year and will monitor market conditions to secure favorable rates. Options include borrowing from local authorities and PWLB, ensuring decisions to balance cost, liquidity, and strategic needs.

5.8. All maturity bands are compliant with the TMS limits, confirming that the council's debt portfolio is being managed prudently with regard to refinancing risk.

Table 5.3

Refinancing risk indicator	2025/26 TMS		2025/26 Actual	Complied
	Upper limit	Lower limit		
Under 12 months	50%	0%	19.51%	Yes
12 months and within 24 months	70%	0%	5.31%	Yes
24 months and within 5 years	70%	0%	18.00%	Yes
5 years and within 10 years	70%	0%	21.85%	Yes
10 years and above	70%	0%	35.33%	Yes

5.9 The table below presents the budgeted and actual external interest paid for the first half of the 2025/26 financial year, the interest paid is lower expenditure within the capital programme reducing the need to borrowing.

Table 5.4

External Interest Paid	Actual £m	Budget £m	Variance £m
General Fund	4.78	6.18	-1.39
HRA	2.27	2.31	-0.04
Total	7.05	8.49	-1.44

6. Investment Activity

6.1. The Council's Annual Investment Strategy, approved on 6th March 2025 as part of the 2025/26 TMS, prioritises security and liquidity over return, in line with CIPFA and government guidance. Investments aim to balance risk and return, minimising losses and low income risks.

6.2. The Council's invested funds represent income received in advance and held reserves. In Q2, balances ranged from £22.0m to £53.3m, averaging £37.0m, reflecting timing differences between income and expenditure. The investment position is summarised in the table below.

6.3. As at 30 Sep 2025, net cash invested in Money Market Funds was £27.5mn at a rate of 4.1%, an increase of £13.9m with comparisons with the previous financial year end.

Table 6.1 - Treasury Investment Position

	31.3.25 Balance £m	Net Movement	30.9.25 Balance £m	30.9.25 Return %
Government: DMADF	-	-	-	
Money Market Funds	-13.61	-13.91	-27.52	4.089%
Banks (Overnight)	-1.28	-0.22	-1.49	1.750%
Total Investments	-14.89	-14.12	-29.01	3.969%

6.4. The Council expects to remain a long-term borrower, so treasury investments focus on short-term, low-risk Money Market Funds (MMFs), which offer same-day access and are consistently rated at the highest level—**AAAmmf** by Fitch, **AAAm** by S&P, and **Aaa-mf** by Moody's, and each has a score of 1, reflecting very low credit risk .

6.5. The Council maintains a £10m daily liquid balance through highly rated MMFs, each with a £10m investment cap. All placements in first half of 2025/26 complied with approved counterparty and diversification limits.

6.7. The table below shows budgeted interest income versus actual income received, along with the variance for the first half of the financial year. The Council's investment return for the first half of 2025/26 was £0.6m, which is £0.1m above the budgeted level. This positive variance mainly reflects higher average cash balances held during the period.

Table 6.2

	Actual £m	Budget £m	Variance £m

Interest on Investment	-0.64	-0.50	-0.14
Total	-0.64	-0.50	-0.14

6.8 The Council also holds £57.8m in non-treasury investments. To manage potential shortfalls, the Council regularly monitors the performance of this investment portfolio. Risk assessments are conducted regularly. The Treasury team also works closely with strategic planning team to align investment decisions with operational priorities and risk appetite.

Table 6.3

Balance at 31/3/2025 £m	Interest receivable 2024/25 £m	Debtor	Balance at 30/6/2025 £m	Interest Receivable Q2 2025/26 £m	Rate %
51.70	1.55	James Elliman Homes	51.70	0.78	3.000%
0.90		SUR LLP*	0.90		5.000%
5.17	0.23	GRE 5 Ltd *	5.24	0.16	6.000%
5.00	0.08	Slough Children First Ltd*			
62.76	1.86		57.84	0.94	3.15%

7. Compliance with Treasury Management Practices

7.1. The Chief Finance Officer confirms that all treasury management activities undertaken during the first half of the financial year fully complied with the principles set out in the CIPFA Treasury Management Code and the Authority's approved Treasury Management Strategy. This includes adherence to governance, risk management, and investment protocols, ensuring that all decisions were made in line with statutory guidance and internal controls.

8. Treasury Management Prudential Indicators

8.1. The Council monitors its capital expenditure, borrowing, and investments using key financial indicators. These help assess sustainability, manage risk, and guide strategic decisions.

8.2. 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 budgets while maintaining a £10m liquidity buffer for day-to-day cash flow needs.

Table 8.1 (with 2026/27-2028/29 as per 2025/26 TMS)

	31.3.25 Actual £m	31.3.26 Forecast £m	31.3.27 Forecast per 2025/26 TMS £m	31.3.28 Forecast per 2025/26 TMS £m	31.3.29 Forecast per 2025/26 TMS £m
Loans CFR	654.72	660.33	635.30	623.90	608.20
Less: Balance sheet resources	-174.17	-177.21	-212.00	-205.99	-217.71
Net loans requirement	480.56	483.13	423.30	417.91	390.49
Plus: Liquidity allowance	13.57	-10.00	-10.00	-10.00	-10.00
Liability benchmark	466.99	493.13	433.30	427.91	400.49
Total Borrowing	458.48	455.00	433.30	427.91	400.49

As the 2026/27 budget-setting process is still ongoing, the forecasts for 2026/27 to 2028/29 currently align with the 2025/26 Treasury Management Strategy Statement (TMS). An update will be provided for 2026/27 to 2028/29 as part of the 2026/27 TMS Strategy which will be presented to this committee in February.

8.3. The Council monitors its capital expenditure, borrowing, and investment activities using a set of key prudential indicators.

Table 8.2 Capital Expenditure

Estimates of Capital Expenditure	2024/25 Actual £m	2025/26 Forecast £m	2026/27 Budget £m	2027/28 Budget £m	2028/29 Budget £m
General Fund	12.43	44.86	35.91	12.92	8.84
Council Housing (HRA)	16.39	26.77	20.40	20.47	20.47
TOTAL	28.83	71.63	56.31	33.39	29.31

Table 8.3 Capital Financing Requirement_(with 2026/27-2028/29 as per 2025/26 TMS)

Estimates of Capital Financing Requirement	2024/25	2025/26	2026/27	2027/28	2028/29
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	Actual £m	Forecast £m	Budget £m	Forecast £m	Forecast £m
General Fund services	525.60	528.26	470.60	459.20	443.60
Inc. Capitalisation Direction	87.35	96.21	91.60	91.60	88.00
Council housing (HRA)	162.92	162.92	164.60	164.60	164.60
TOTAL CFR	688.53	691.18	635.30	623.90	608.20

Table 8.4 - Gross Debt and the Capital Financing Requirement (with 2026/27-2028/29 per 2025/26 TMS)

Gross Debt and the Capital Financing Requirement	2024/25 Actual £m	2025/26 Forecast £m	2026/27 Budget £m	2027/28 Forecast £m	2028/29 Forecast £m
Debt (incl. PFI & leases)	492.28	485.85	458.60	451.40	421.40
Capital Financing Requirement	688.53	691.18	635.30	623.90	608.20

8.4. 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.

Table 8.5 – Debt and the Authorised Limit and Operational Boundary

	Maximum Debt Q2 2025/26	Debt	Authorised Limit 2025/26	Operational Boundary 2025/26
Borrowing	468.48	458.27	654.90	434.80
PFI and Finance Leases	30.85	30.85	27.20	27.20
Total Debt	499.33	489.13	682.10	462.00

8.5. The Proportion of Financing Costs to Net Revenue Stream is monitored to ensure debt servicing, although high, remains affordable and does not place further pressure on the revenue budget. The table below for the HRA is consistent with the Treasury Management affordability framework which is to ensure minimum interest cover of 1.25 times of financing costs to net revenue stream.

Table 8.6 – Proportion of Financing Costs to Net Revenue Stream/Income

Proportion of Financing Costs to Net Revenue Stream - GF	2024/25 Actual	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast	2028/29 Forecast
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	£m	£m	£m	£m	£m
General Fund Financing Costs	24.72	28.23	27.93	28.47	29.55
General Fund Net Income	150.81	171.31	182.95	192.87	205.59
Ratio of Financing Costs to Net Revenue Stream	16.4%	16.5%	15.3%	14.8%	14.4%

Proportion of Financing Costs to Net Revenue Stream - HRA	2024/25 Actual £m	2025/26 Forecast £m	2026/27 Forecast £m	2027/28 Forecast £m	2028/29 Forecast £m
HRA Financing Costs	4.07	5.42	5.44	4.64	4.25
HRA Income	45.70	45.62	46.71	48.14	49.72
Ratio of Financing Costs to HRA Income	8.9%	11.9%	11.6%	9.6%	8.6%