

# Treasury Management Strategy 2026/27

## 1. Introduction

- 1.1. This Treasury Management Strategy (TMS) sets out how the Council's borrowing, investments, cash flows (including banking, money market and capital market transactions) and the associated financial risks are managed. The Council is primarily a long-term borrowing authority and therefore faces exposure to liquidity risk, refinancing risk, interest rate risk, and the cost of carrying debt. The high level of borrowing places a significant cost burden on the Council's revenue budgets. Effectively identifying, monitoring, and controlling these risks is essential to maintaining sound financial management.
- 1.2. The Council conducts its treasury risk management within the framework set out by the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice ("the CIPFA Code"), and the CIPFA Prudential Code for Capital Finance in Local Authorities ("the Prudential Code"). In line with this CIPFA Code, the Council is required to approve a TMS (this report) prior to the start of each financial year.
- 1.3. This report also meets the Council's statutory obligation under the Local Government Act 2003 to have regard to the CIPFA Code. Likewise, the TMS to have regard to the Council's Corporate Business Plan and Medium-Term Financial Strategy.

## 2. Economic Outlook

- 2.1. The economic background as provided by the Council's treasury advisor (Arlingclose) in the beginning of January 2026: The most significant external impacts on the TMS for 2026/27 are expected to include:
  - The influence of the government's 2025 Autumn Budget,
  - Lower short-term interest rates alongside higher medium- and longer-term rates,
  - Slower economic growth, together with ongoing uncertainties around the global economy, stock market sentiment, and geopolitical issues.
- 2.2. The Bank of England's Monetary Policy Committee (MPC) cut the Bank Rate to 3.75% in December 2025, as expected. The vote to cut was 5-4, with the minority instead favouring holding rates at 4.0%. Those members wanting a cut judged that disinflation was established while those preferring to hold Bank Rate argued that inflation risks remained sufficiently material to leave rates untouched at this stage.
- 2.3. Figures from the Office for National Statistics showed that the UK economy expanded by 0.1% in the third quarter of 2025, this was unrevised from the initial estimate. The most recent Monetary Policy Report (November) projected modest economic growth, with GDP expected to rise by 0.2% in the final calendar quarter of 2025. Annual growth is forecast to ease from 1.4% before improving again later, reflecting the delayed effects of lower interest rates, looser monetary conditions, stronger global activity, and higher consumer spending. The view of modest economic growth going forward was echoed by the Office for Budget Responsibility in its Economic and fiscal outlook published in line with the Autumn

Statement which revised down its estimate of annual real GDP to around 1.5% on average between 2025 and 2030.

- 2.4. CPI inflation was 3.2% in November 2025, down from 3.6% in the previous month and below the 3.5% expected. Core CPI eased to 3.2% from 3.4%, contrary to forecasts of remaining at 3.6%. Looking forward, the MPC continues to expect inflation to fall, to around 3% in calendar Q1 2026, before steadily returning to the 2% target by late 2026 or early 2027.
- 2.5. The labour market continues to ease with rising unemployment, falling vacancies and flat inactivity. In the three months to October 2025, the unemployment rate increased to 5.1%, higher than the level previously expected by the BoE, while the employment rate slipped to 74.9%. Pay growth for the same period eased modestly, with total earnings (including bonuses) growth at 4.7% and while regular pay was 4.6%.
- 2.6. Global economic expansion is forecast at approximately 2.3% in 2025, marking the weakest pace outside of recession since 2008. The outlook remains fragile due to persistent inflation, cautious monetary stances, and geopolitical risks (notably in Eastern Europe, the Middle East, and US-China trade relations). Equity markets show resilience, but volatility and structural risks like supply-chain disruptions and energy uncertainty persist.

### **3. Economic and interest rate forecast**

- 3.1. The Council's treasury advisor, Arlingclose anticipates that the Bank of England's Monetary Policy Committee will continue to reduce Bank Rate in 2026, reaching approximately 3.25%. This forecast reflects amendments made following the Autumn Budget and an assessment of the fiscal measures and their market implications, and following the BoE MPC meeting held on 18 December 2025.
- 3.2. Long-term gilt yields, and, therefore, interest rates payable on long-term borrowing, are expected to remain broadly stable on average, though with continued volatility, and to end the forecast period marginally lower than current levels. Yields are likely to stay higher than in the pre-quantitative tightening era, reflecting ongoing balance sheet reduction and elevated bond issuance. Short-term fluctuations are expected to persist in response to economic data releases and geopolitical developments.
- 3.3. A more detailed economic and interest rate forecast provided by Arlingclose is in Appendix C.

### **4. Implications to Treasury Management Strategy**

- 4.1. In this environment, the Council's strategy will focus on ensuring adequate security of invested cash, maintaining liquidity and managing refinancing risk while balancing the cost of carry. With short-term rates expected to remain lower than medium- and long-term rates, the Council may consider shorter-duration borrowing (with under 10-year maturity) or phased refinancing to avoid locking in higher costs unnecessarily. Any investments for short term cash surpluses will prioritise security and liquidity over yield, both due to projected cashflow profile and global volatility and geopolitical uncertainty. The Council will continue to monitor interest rate trends closely and maintain flexibility to adjust its borrowing profile as

conditions evolve, ensuring prudent risk management and compliance with the CIPFA Code.

- 4.2. For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate/yield of 3.5%, and that new 10-year PWLB EIP loans will be borrowed at an average rate of 5%.

## 5. Capital Financing Requirement

- 5.1. The Capital Financing Requirement (CFR) represents the underlying need to borrow for capital purposes, calculated by aggregating balance sheet items related to capital expenditure. In contrast, other balance sheet resources such as reserves and working capital reflect the funds available for investment. The following table summarises Council's proposed draft capital expenditure budget:

**Table 1: Capital Expenditure**

<b>Capital Expenditure Draft Budget</b>	<b>25/26 Revised Budget</b>	<b>26/27 Draft Estimate</b>	<b>27/28 Draft Estimate</b>	<b>28/29 Draft Estimate</b>	<b>29/30 Draft Estimate</b>	<b>30/31 Draft Estimate</b>	<b>Total 26/27-30/31</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
General Fund	39.083	87.265	55.172	16.572	12.451	8.057	179.516
Council Housing (HRA)	26.515	25.029	24.877	23.652	22.468	22.520	118.546
<b>TOTAL</b>	<b>65.597</b>	<b>112.294</b>	<b>80.049</b>	<b>40.223</b>	<b>34.919</b>	<b>30.577</b>	<b>298.062</b>

- 5.2. Under CIPFA's Prudential Code for Capital Finance in Local Authorities, the Council's total debt should remain below its highest projected CFR over the next three years. The Council's current approach is to keep actual borrowing and investments below these underlying levels, a practice commonly referred to as internal borrowing. The table below shows the CFR over the 5-year horizon covered by the TMS:

**Table 2: Capital Financing Requirement**

<b>Capital Financing Requirement</b>	<b>31.3.26 Estimate</b>	<b>31.3.27 Budget</b>	<b>31.3.28 Forecast</b>	<b>31.3.29 Forecast</b>	<b>31.3.30 Forecast</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
General Fund CFR	523.0	536.4	536.2	495.0	474.9
inc. Capitalisation Direction	91.6	111.7	118.2	87.1	78.9
Housing Revenue Account CFR	162.9	162.9	162.9	162.9	162.9
<b>TOTAL CFR</b>	<b>686.0</b>	<b>699.3</b>	<b>699.1</b>	<b>657.9</b>	<b>637.9</b>
Other Balance Sheet Items - GF	-149.6	-132.0	-110.5	-106.4	-104.0
Other Balance Sheet Items - HRA	-61.0	-65.3	-64.9	-61.7	-61.8
<b>TOTAL OTHER BALANCE SHEET ITEMS</b>	<b>-210.6</b>	<b>-197.3</b>	<b>-175.4</b>	<b>-168.2</b>	<b>-165.9</b>
<b>TOTAL NET INDEBTEDNESS</b>	<b>475.4</b>	<b>502.0</b>	<b>523.7</b>	<b>489.7</b>	<b>472.0</b>
General Fund Net Indebtedness	373.5	404.5	425.7	388.6	370.9
HRA Net Indebtedness	101.9	97.6	98.0	101.2	101.1
<b>TOTAL NET INDEBTEDNESS</b>	<b>475.4</b>	<b>502.0</b>	<b>523.7</b>	<b>489.7</b>	<b>472.0</b>

## 6. Treasury Management Portfolio Summary

6.1. The table below shows the sources of funding proposed for the funding requirement (total net indebtedness) across the Council for both the GF and the HRA. The position as of 31 December 2025 for Council's external borrowing and investments is also detailed in Appendices D and E.

**Table 3: Net Indebtedness Breakdown**

Net Indebtedness Breakdown	31.3.26	31.3.27	31.3.28	31.3.29	31.3.30
	Estimate	Budget	Forecast	Forecast	Forecast
	£m	£m	£m	£m	£m
Existing Long-term borrowing					
- PWLB	416.8	381.3	331.6	307.4	282.2
- LOBOs	9.0	9.0	9.0	9.0	9.0
- Bank	4.0	4.0	4.0	4.0	4.0
Existing Short-term borrowing	-	-	-	-	-
New Borrowing and Refinancing	55.6	117.7	189.0	179.3	186.8
<b>TOTAL BORROWING</b>	<b>485.4</b>	<b>512.0</b>	<b>533.7</b>	<b>499.7</b>	<b>482.0</b>
Long-term investments					
Short-term investments	-10.0	-10.0	-10.0	-10.0	-10.0
Cash and cash equivalents					
<b>TOTAL INVESTMENTS</b>	<b>-10.0</b>	<b>-10.0</b>	<b>-10.0</b>	<b>-10.0</b>	<b>-10.0</b>
<b>Net borrowing</b>	<b>475.4</b>	<b>502.0</b>	<b>523.7</b>	<b>489.7</b>	<b>472.0</b>

\*New Borrowing is the amount that can be borrowed up to the Council's CFR, borrowing will only be incurred when necessary to do so.

6.2 The next table shows the external debt and internal borrowing against the CFR:

**Table 4: Borrowing Breakdown**

<b>Borrowing Breakdown</b>	<b>31.3.26</b>	<b>31.3.27</b>	<b>31.3.28</b>	<b>31.3.29</b>	<b>31.3.30</b>
	<b>Estimate</b>	<b>Budget</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
External Debt Opening Balance	429.8	394.3	344.6	320.4	295.2
Expected Change in External Borrowing	55.6	117.7	189.0	179.3	186.8
<b>EXTERNAL BORROWING BALANCE</b>	<b>485.4</b>	<b>512.0</b>	<b>533.7</b>	<b>499.7</b>	<b>482.0</b>
Total CFR	686.0	699.3	699.1	657.9	637.9
<b>(UNDER)/OVER BORROWING</b>	<b>-200.6</b>	<b>-187.3</b>	<b>-165.4</b>	<b>-158.2</b>	<b>-155.9</b>
Other Balance Sheet Items - GF	149.6	132.0	110.5	106.4	104.0
Other Balance Sheet Items - HRA	61.0	65.3	64.9	61.7	61.8
Short-term investments	-10.0	-10.0	-10.0	-10.0	-10.0
<b>INTERNAL BORROWING</b>	<b>200.6</b>	<b>187.3</b>	<b>165.4</b>	<b>158.2</b>	<b>155.9</b>

## 7. Exceptional Financial Support

- 7.1. In July 2021 the Council issued a section 114 notice. A Section 114 notice is issued by a finance officer when spending exceeds available resources, effectively halting non-essential spending and signalling severe financial distress.
- 7.2. Following this the Council has an Exceptional Financial Support (EFS) agreement with MHCLG. This allowed the Council to borrow up to £352.2m up until the end of 2025/26 to enable it to fund its day-to-day expenditure. As part of this agreement the Council embarked on an asset rationalisation programme with disposals receipts used to reduce the amount of borrowing required.
- 7.3. At the end of 2025/26, disposal receipts of £227.8m will be used to reduce the borrowing requirement, a further £32.8m of MRP has been set aside to repay the borrowing meaning the level of borrowing utilised under the EFS agreement by the end of 2025/26 is £91.6m.
- 7.4. The ongoing recurrent demand pressures on service such as temporary accommodation (TA) and Adult Social Care (ASC) during 2025/26 as well as the delayed full receipt of additional income to Slough as part of the fair funding reform means that the Council has requested from MHCLG £65.3m of EFS to support the Council's revenue position in 2026/27 and 2027/28, over and above this the capital programme assumes £20m of borrowing to fund capital investment in transformation.
- 7.5. This investment is to enable the Council to balance its budget without the use of EFS from 2028/29.

## 8. Disposals

- 8.1. In line with the previous EFS agreement, the council will look to use disposal receipts to reduce the level of borrowing required. Over the period 2026/27 to

2028/29 £79.4m of disposal receipts are expected which will be used to reduce the level of borrowing detailed above.

**Table 5: EFS and Disposal of Assets**

Financial Year	EFS In Year £m	Transformation Investment £m	Capital Receipts applied £m	Minimum Revenue Provision £m	Borrowing Related to EFS £m
2018/19	78.0				
2019/20	47.5		7.7	2.9	
2020/21	24.9		0.0	4.5	
2021/22	60.0		1.7	5.5	
2022/23	56.6		107.2	7.8	
2023/24	46.3		26.9	4.5	
2024/25	23.1		75.6	4.9	
2025/26	15.7		8.7	2.8	
<b>Sub Total</b>	<b>352.2</b>	<b>0.0</b>	<b>227.8</b>	<b>32.8</b>	<b>91.6</b>
2026/27	42.9	8.0	27.7	3.0	
2027/28	22.4	9.0	21.4	3.6	
2028/29	0.0	3.0	30.3	3.8	
<b>Total</b>	<b>417.5</b>	<b>20.0</b>	<b>307.2</b>	<b>43.3</b>	<b>87.1</b>

\*Italics reflects disposal programme

## 9. Debt Management

9.1. Following the Government intervention, one of the key objectives for the Council is to plan and execute strategy for reduction and management of the overall debt position. A separate debt reduction strategy is appended to the budget report, see Appendix 8.

9.2. The Prudential Code considers that legitimate examples of prudent borrowing include:

- Financing capital expenditure related to the delivery of a local authority's functions.
- Temporary management of cash flow (within the context of the balanced budget).
- Securing affordability by removing exposure to future interest rate rises.
- Refinancing existing borrowing (including replacing the internal borrowing) to manage risk or reflect changing cash flow circumstances.

The Prudential Code also determines certain acts or practices as not prudent activity – e.g. borrowing to invest for the primary purposes of commercial return.

9.3. Having the regard to the above principles, this borrowing strategy outlines our approach to borrowing and is consistent with the ongoing dialogue with MHCLG.

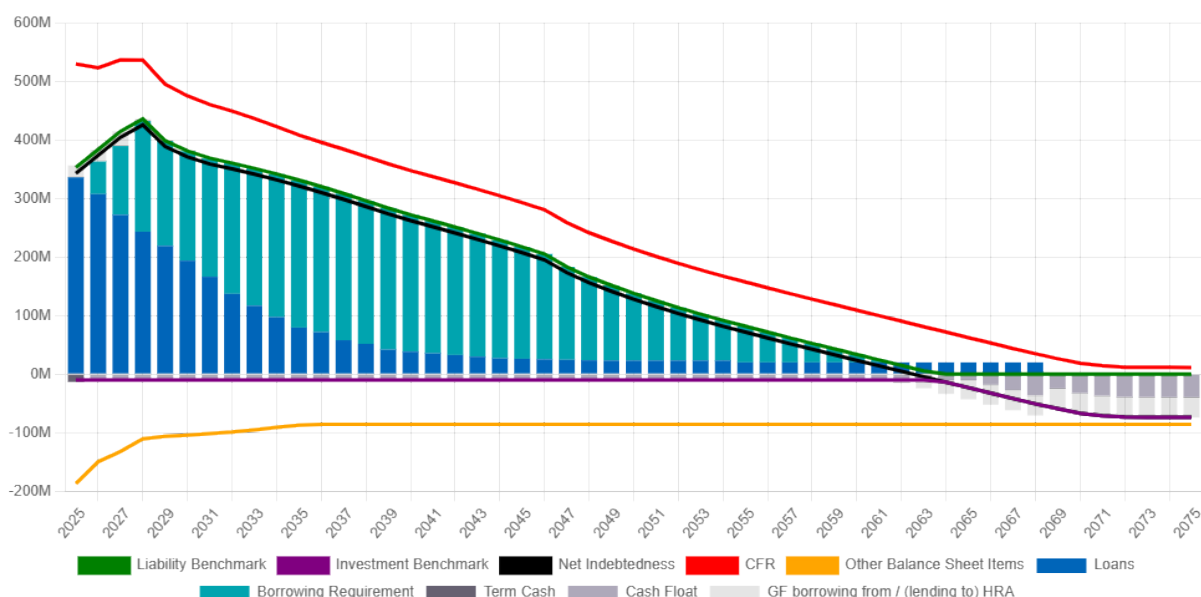
## 10. Liability Benchmark

- 10.1. CIPFA's 2021 Code of Practice introduced the Liability Benchmark as a key Prudential Indicator. It estimates the level of external borrowing required to fund the Council's capital and revenue plans while maintaining a minimum liquidity of £10m throughout the year.
- 10.2. The Council operates a two-pool debt management approach for the HRA and General Fund, so separate benchmarks have been calculated for each pool. This tool helps determine the Council is likely to remain a long-term borrower, shaping strategic decisions.
- 10.3. CIPFA recommends aligning external borrowing with the Liability Benchmark, using all available balance sheet resources for internal borrowing. Where borrowing falls below the benchmark, it signals a future borrowing need and exposure to interest rate, liquidity, and refinancing risks. Conversely, borrowing above the benchmark indicates an overborrowed position, creating excess cash that must be invested, increasing credit and reinvestment risks and potential cost of carry.
- 10.4. The Treasury Strategy sets out how these risks will be managed over the coming years.

**Table 6: Prudential Indicator Liability Benchmark GF**

Prudential Indicator Liability Benchmark	31.3.26	31.3.27	31.3.28	31.3.29	31.3.30
	Estimate	Budget	Forecast	Forecast	Forecast
	£m	£m	£m	£m	£m
General Fund CFR	523.0	536.4	536.2	495.0	474.9
Less: Other Balance Sheet Items	-149.6	-132.0	-110.5	-106.4	-104.0
<b>NET LOANS REQUIREMENT</b>	<b>373.5</b>	<b>404.5</b>	<b>425.7</b>	<b>388.6</b>	<b>370.9</b>
Plus: Liquidity allowance	10.0	10.0	10.0	10.0	10.0
<b>GF LIABILITY BENCHMARK</b>	<b>383.5</b>	<b>414.5</b>	<b>435.7</b>	<b>398.6</b>	<b>380.9</b>
Current Loan Commitments	307.4	271.9	243.1	218.9	193.8
Borrowing from HRA	20.5	24.8	3.5	0.3	0.3
Committed Lending to HRA	-	-	-	-	-
<b>BORROWINGS + NET HRA</b>	<b>327.9</b>	<b>296.7</b>	<b>246.6</b>	<b>219.2</b>	<b>194.1</b>
<b>(UNDER)/OVER BENCHMARK: BORROWING REQUIREMENT</b>	<b>-55.6</b>	<b>-117.7</b>	<b>-189.0</b>	<b>-179.3</b>	<b>-186.8</b>

## General Fund Liability Benchmark



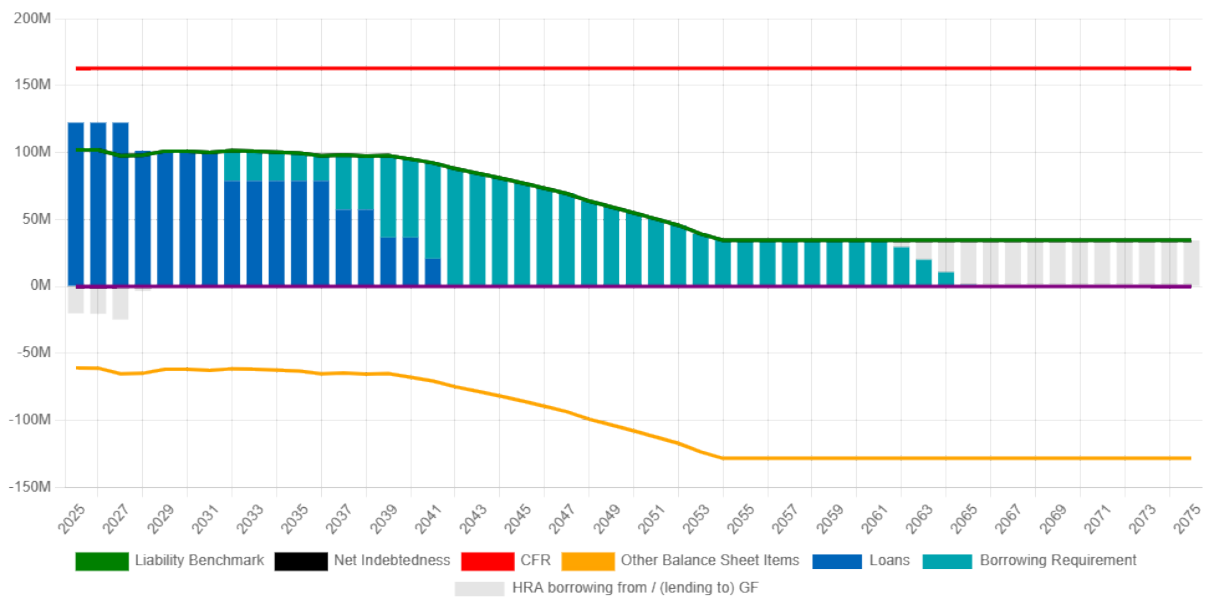
10.5. The chart illustrates a declining net loans requirement for the General Fund, reflecting the Council's projected spending and financing plans. Existing loans are maturing at an accelerated pace (blue bars), creating a need for additional borrowing to support future financing requirements (turquoise bars). Investment balances are expected to remain low to help minimise external borrowing.

**Table 7: Prudential Indicator Liability Benchmark HRA**

Prudential Indicator Liability Benchmark	31.3.26 Estimate £m	31.3.27 Budget £m	31.3.28 Forecast £m	31.3.29 Forecast £m	31.3.30 Forecast £m
HRA CFR	162.9	162.9	162.9	162.9	162.9
Less: HRA Other Balance Sheet Items	-61.0	-65.3	-64.9	-61.7	-61.8
<b>HRA LIABILITY BENCHMARK</b>	<b>101.9</b>	<b>97.6</b>	<b>98.0</b>	<b>101.2</b>	<b>101.1</b>
Current Loan Commitments	122.4	122.4	101.5	101.5	101.4
Borrowing from/Lending to General Fund	-20.5	-24.8	-3.5	-0.3	-0.3
<b>BORROWINGS</b>	<b>101.9</b>	<b>97.6</b>	<b>98.0</b>	<b>101.2</b>	<b>101.1</b>
<b>(UNDER)/OVER BENCHMARK: BORROWING REQUIREMENT</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>



## HRA Liability Benchmark

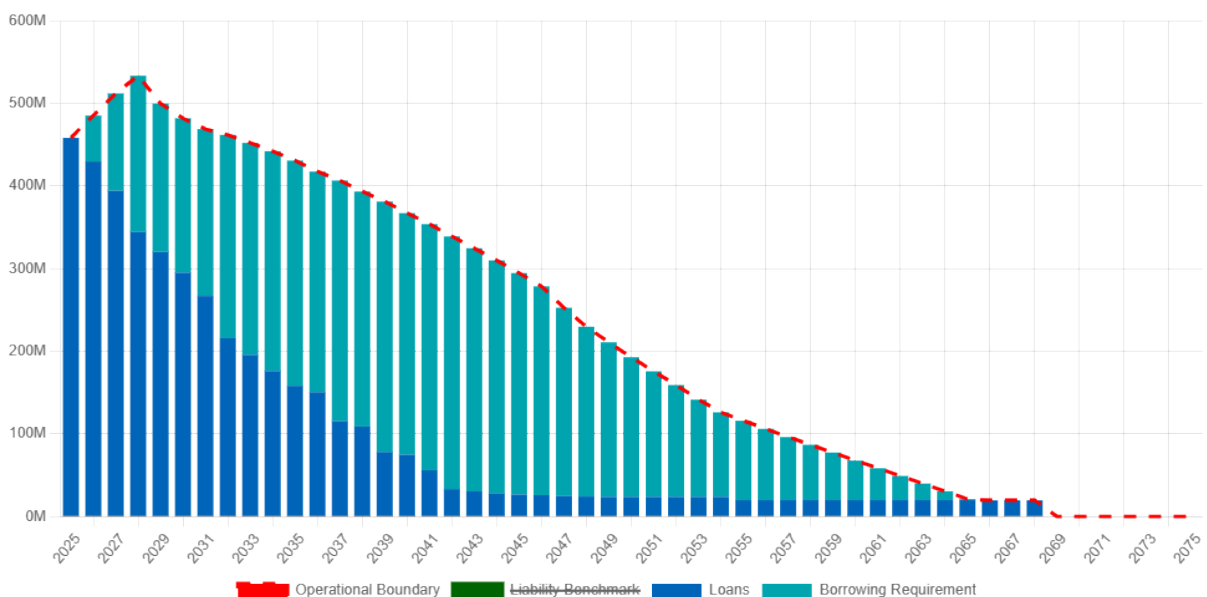


## 11. Borrowing Strategy

11.1. The Council as of 31 December 2025 held £443.65 million in loans, representing a reduction of £14.83 million compared to the previous year, as part of its strategy to reduce the level of debt. Based on the balance sheet forecast in Table 1, the Council expects to borrow up to £112.9m in 2026/27.

## 12. Borrowing Balance Projection

12.1. The chart below shows the cumulative total borrowing required for both the General Fund and the HRA.



12.2. Objectives: The Council's primary objective when borrowing is to maintain a prudent balance between securing low interest costs and ensuring cost certainty over the required borrowing period. A secondary objective is to retain flexibility to renegotiate loans should the Council's long-term plans change.

- 12.3. **Strategy:** In light of ongoing reductions in public expenditure and local government funding, the Council's borrowing strategy prioritises affordability while safeguarding the long-term stability of its debt portfolio. With short-term interest rates having declined over the past year and expected to fall slightly further, it is likely to be more cost-effective in the medium term to utilise internal resources or secure short-term borrowing.
- 12.4. The risks associated with this approach will be managed by ensuring the Council's interest rate exposure remains within the limits set by the treasury management prudential indicators (see below).
- 12.5. By adopting this approach, the Authority reduces net borrowing costs despite the loss of investment income and lowers overall treasury risk. The advantages of internal or short-term borrowing will be regularly assessed against the potential additional costs of deferring borrowing to future years, when long-term rates are expected to rise modestly. The Council will monitor the cost of carry and perform breakeven analysis for the informed decisions.

### **13. Sources of Borrowing**

13.1. The Council's approved sources for long and short-term borrowing include:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- Other UK local authorities and Public Sector bodies
- Institutions approved for investment (as detailed in the investment section)
- Banks and building societies authorised to operate in the UK
- UK public and private sector pension funds (excluding SBC's Local Government Pension Scheme)

13.2. These are the standard lenders to local authorities. However, access to finance may occasionally be constrained due to perceived credit concerns for Slough. Therefore, the PWLB will remain the Council's primary source of borrowing.

### **14. Other Sources of Debt Finance**

14.1. Capital funding may also be secured through arrangements that are not classified as borrowing but represent other debt liabilities, such as:

- Leasing
- Hire purchase
- Private Finance Initiative (PFI)
- Sale and leaseback
- Similar asset-based financing

### **15. Bank Loans and LOBOs**

15.1. The Council currently holds £9 million in LOBO (Lender's Option Borrower's Option) loans, which allow the lender to propose interest rate changes at predetermined dates. The Council can either accept the revised rate or repay the loan without penalty.

15.2. The next likely call date is 07 April 2026 for a £5 million FMS Wertmanagement loan. Full-term maturities range between 2054 and 2066. Opportunities to repay LOBOs will be considered where this is demonstrably cost-effective and affordable.

## 16. Short-Term Loans

16.1. Short-term borrowing may be used to manage liquidity but exposes the Council to interest rate volatility. Such borrowing will remain within the interest rate exposure limits set out in the Treasury Management Indicators.

## 17. Debt Rescheduling

17.1. The PWLB permits early repayment of loans, subject to a premium or a discount based on prevailing interest rates. Any such debt restructuring will need to be considered in the light of the current treasury position and the refinancing risks and associated costs/upside; with early repayments only consider if they save the Council money and reduce risk.

17.2. Any proposed borrowing will only be undertaken on a phased basis in accordance with agreed plans and requirements at that time. The borrowing purely to invest or lend-on to make a return is unlawful.

17.3. The total amount borrowed will not exceed the authorised borrowing limit of 2026/27 set at £709.4 million. The maximum period between borrowing and expenditure is expected to be no more than 6 months.

## 18. Gross Debt and the Capital Financing Requirement – 2026/27

18.1. Statutory guidance requires that the Council's gross debt remains below its CFR, except for short-term variations. The Council has complied with this requirement and expects to continue doing so over the medium term, as illustrated below. To ensure that borrowing is undertaken solely for capital purposes, the Council must ensure that, except in the short term, gross debt does not exceed the sum of:

- The CFR at the end of the preceding financial year, plus
- The estimated increases in CFR for the current and the next two financial years.

This is a key indicator of prudence within the Prudential Code.

**Table 8: Gross Debt and Capital Financing Requirement**

<b>Gross Debt and Capital Financing Requirement</b>	<b>31.3.26 Estimate £m</b>	<b>31.3.27 Budget £m</b>	<b>31.3.28 Forecast £m</b>	<b>31.3.29 Forecast £m</b>	<b>31.3.30 Forecast £m</b>
Debt (incl. PFI & leases)	516.3	540.6	559.8	522.8	501.7
Capital Financing Requirement	686.0	699.3	699.1	657.9	637.9

## 19. Debt and Prudential Indicators – 2026/27

19.1. Total debt is expected to remain below the Capital Financing Requirement (CFR) throughout the forecast period, ensuring compliance with statutory guidance.

## 20. Debt and the Authorised Limit and Operational Boundary

20.1. There are two key limits on external debt:

- Operational Boundary – a management tool representing the most likely (but not worst-case) scenario for external debt.
- Authorised Limit – the statutory maximum borrowing limit that the Council cannot exceed without prior approval.

20.2. The Council is legally required to set an affordable borrowing limit (the Authorised Limit) each year in accordance with the Local Government Act 2003. In line with statutory guidance, a lower Operational Boundary is also set as an early warning level.

20.3. The Executive Director of Resources (Section 151 Officer) confirms that the Council has complied with these indicators in the current year and expects continued compliance over the medium term. Both limits align with current commitments, approved capital plans, and the Treasury Management Policy.

20.4. The key distinction is that the Authorised Limit includes headroom for unexpected events, while the Operational Boundary reflects the most likely position.

## 21. Operational Boundary for External Debt

21.1. The operational boundary represents the Council's estimate of the most likely—prudent but not worst case—level of external debt. It has been updated to align with the liability benchmark, reflecting the expected level of external borrowing at these points.

**Table 9: Operational Boundary for External Debt**

Operational Boundary	*31.3.26	31.3.27	31.3.28	31.3.29	31.3.30
	£m	£m	£m	£m	£m
Operational boundary – borrowing	454.5	483.4	507.6	476.7	462.4
Operational boundary – PFI and leases**	30.9	28.6	26.1	23.0	19.6
<b>OPERATIONAL BOUNDARY - TOTAL EXTERNAL DEBT</b>	<b>485.4</b>	<b>512.0</b>	<b>533.7</b>	<b>499.7</b>	<b>482.0</b>

\*2025/26 revised in line with latest estimate.

\*\*PFI and leases includes projections for lease liabilities brought onto the balance sheet post IFRS16 implementation.

21.2. Note, this limit is meant to accommodate for in-year cash flow fluctuations, however, any breaches of the Operational Boundary due to short-term cash flow variations are not considered compliance failures.

## 22. Authorised Limit for External Debt

22.1. The Authorised Limit is the Council's affordable borrowing limit, set in accordance with the Local Government Act 2003. It represents the maximum level of debt the Council is legally permitted to incur. This limit is closely aligned to CFR (including

PFI and Leases) levels but also includes additional buffer against unusual or unforeseen borrowing items e.g. temporary borrowing.

**Table 10: Authorised Limit for External Debt**

Authorised Limit	31.3.26	31.3.27	31.3.28	31.3.29	31.3.30
	£m	£m	£m	£m	£m
Authorised limit – borrowing	654.9	670.8	673.0	634.9	618.2
Authorised limit – PFI and leases	27.2	28.6	26.1	23.0	19.6
Other	-	10	10	10	10
<b>AUTHORISED LIMIT - TOTAL EXTERNAL DEBT</b>	<b>682.1</b>	<b>709.4</b>	<b>709.1</b>	<b>667.9</b>	<b>647.8</b>

### 23. Investment Strategy – 2026/27

23.1. The revised CIPFA Code (2021) categorises local authority investments into three types:

- I. Treasury Management Investments: surplus cash arising from day-to-day operations, such as income received in advance of expenditure.
- II. Service Investments: lending to or acquiring shares in other organisations to support local public services.
- III. Commercial Investments: where generating investment income is the primary purpose.

23.2. This Investment Strategy focuses on treasury management investments and complies with the requirements of the MHCLG Investment Guidance (2018). Service and commercial investments are addressed in Non-Treasury Investments section below.

23.3. The Council typically receives income (e.g., taxes and grants) before incurring expenditure (e.g., payroll and supplier payments). It also holds grants received in advance of future spending. These timing differences, combined with borrowing decisions, create temporary cash surpluses that are invested in accordance with CIPFA and government guidance.

23.4. For 2026/27, the balance of treasury investments is expected to fluctuate between £10 million and £50 million, closely linked to the Council's Asset Disposal Programme. At 31st December 2025, the Council held £13.6 million in invested funds, representing income received in advance of expenditure plus balances and reserves.

23.5. Objectives: The CIPFA Code requires the Council to invest its treasury funds prudently, prioritising security and liquidity before yield. The Council's objective is to strike an appropriate balance between risk and return, minimising the risk of loss from defaults and avoiding unsuitably low investment income. Given low cash balances and liquidity priorities, the Council is unlikely to enter into investments exceeding 12 months.

23.6. The liability benchmark confirms that the Council will remain a long-term borrower, meaning new treasury investments will primarily manage short-term cash flows using well diversified, high rated and low-risk instruments. Historically, the Council has invested mainly in low-volatility Money Market Funds (MMFs) maintain strong liquidity, benefit from diversified AAA-rated portfolios, and reduce reliance on unsecured bank deposits.

## 24. Investment Limits

24.1. Table 6 below reflects advice from Arlingclose regarding acceptable counterparties and limits. Given the Council's low balances and focus on liquidity, investments beyond 365 days are unlikely. Credit ratings of counterparties will be considered alongside these limits when making investment decisions.

**Table 11: Treasury Investment Approved Counterparty List & Limits**

Sector	Time limit	Counterparty limit	Sector limit
The UK Government (DMADF Deposit Facility)	365 days	Unlimited	n/a
Government bonds (gilts) and treasury bills	365 days	£10m	n/a
Local authorities & other government entities	365 days	£5m	50%
Banks (unsecured) *	365 days	£5m	50%
Building societies (unsecured) *	365 days	£2m	£25%
Money market funds *	n/a	£10m	n/a
Strategic pooled funds	n/a	£2m	£10m
Other investments *	365 days	£1m	5%

\*This table must be read in conjunction with the notes below

24.2. Minimum credit rating: Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

## 25. Investment Limits – 2026/27

25.1. The Authority's current unallocated revenue reserves available to cover investment losses are forecast to be £23.3m as at 31st December 2025, however, this level will be impacted by the current overspend (£17.5m at Quarter 2 2025/26). To ensure that no more than 10% of available reserves is exposed to risk in the event of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will remain £5m. Entities under common ownership will be treated as a single organisation for limit purposes.

- 25.2. Credit risk exposures arising from non-treasury investments, financial derivatives, and operational bank account balances exceeding £1m will count against the relevant investment limits.
- 25.3. Minimum requirement for country sovereign rating of AA- is in place when investing with entities domiciled in foreign countries (outside of UK). Additional limits apply to foreign countries as shown below. Investments in pooled funds and multilateral development banks do not count against any single-country limit because risk is diversified across multiple jurisdictions.

**Table 12: Additional Investment Limits**

Additional Investment Limits	Cash Limit
Foreign Countries	£10m per country

### Liquidity Management

- 25.4. The Council uses PS Live cash flow forecasting software to assist in determining the maximum period for which funds may prudently be committed. Forecasts are compiled on a prudent basis to minimise the risk of borrowing on unfavourable terms to meet financial commitments.
- 25.5. Limits on long-term investments are set by reference to the Medium-Term Financial Plan and cash flow forecasts. Liquid cash will be spread across multiple providers (e.g., bank accounts and MMFs) to ensure access to funds in the event of operational difficulties at any one provider.

### 26. Environmental, Social, and Governance Policy

- 26.1. Environmental, Social, and Governance (ESG) considerations are increasingly important in global investment decisions. Ethical and sustainable investing is becoming more commonplace discussion amongst the investors. There are currently a small but growing number of financial institutions and fund managers promoting ESG products, however, types of products we can invest are constrained to those set in the investment guidance from CIPFA, making it clear that all investing must adopt SLY principles – Security, Liquidity and Yield: ethical issues will play a subordinate role in those priorities.
- 26.2. While ESG scoring frameworks are still evolving, the Authority’s policy for 2026/27 will make consideration to prioritise where practical the following:
- Banks that are signatories to the UN Principles for Responsible Banking
  - Funds managed by institutions that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance, and/or the UK Stewardship Code

### 27. Treasury Management Prudential Indicators

#### Security

27.1. The Council has adopted a voluntary measure of its credit risk exposure by monitoring the -weighted average credit rating of its investment portfolio. This is calculated by assigning a numerical score to each investment (e.g., AAA = 1, AA+ = 2) and taking the arithmetic average weighted by the size of each holding. Unrated investments are allocated a score that reflects their assessed level of risk.

27.2. Target: Portfolio average credit rating = A

**Table 13: Credit Risk Indicator**

Credit Risk Indicator	Target
Portfolio Average Credit	A

### Liquidity

27.3. The Council monitors the amount of cash available to meet unexpected payments within a rolling three-month period without additional borrowing.

27.4. Target: Total cash available within three months = £10m

**Table 14: Credit Risk Indicator**

Liquidity Risk Indicator	Target
Total Cash available within 3 months	£10m

## **28. Maturity Structure of Borrowing**

28.1. This indicator is designed to manage the Council's exposure to refinancing risk within each period. It sets upper and lower limits on the maturity profile of the Council's borrowing as follows:

**Table 15: Maturity Structure of Borrowing**

Refinancing rate risk indicator	Upper limit	Lower limit	Position 31.12.25
Under 12 months	30%	0%	20.8%
12 months and within 24 months	30%	0%	7.2%
24 months and within 5 years	30%	0%	15.3%
5 years and within 10 years	40%	0%	20.2%
10 years and above	70%	0%	36.5%

## **29. Long-Term Treasury Management Investments**

29.1. The Council currently holds no long-term treasury investments, and given the current liquidity and cash profile, we do not envisage for the Council having them for the foreseeable future.



### 30. Revenue Budget Implications

31.1 Although capital expenditure is not charged directly to revenue, interest on loans and MRP repayments are. The net annual charge (financing costs) is compared to the net revenue stream.

**Table 16: Ratio of Financing Costs to Net Revenue Stream GF**

<b>General Fund Financing Costs</b>	<b>31.3.26</b>	<b>31.3.27</b>	<b>31.3.28</b>	<b>31.3.29</b>	<b>31.3.30</b>
General Fund Financing Costs £m	23.16	22.80	25.60	26.98	27.03
Ratio of Financing Costs to Net Revenue Stream %	14.5%	11.8%	12.5%	12.2%	12.3%

**Table 17: Ratio of Financing Costs to Net Revenue Stream HRA**

<b>HRA Financing Costs</b>	<b>31.3.26</b>	<b>31.3.27</b>	<b>31.3.28</b>	<b>31.3.29</b>	<b>31.3.30</b>
HRA Financing Costs £m	3.71	3.72	3.71	3.70	3.67
Ratio of Financing Costs to Net Revenue Stream %	8.0%	7.8%	7.5%	7.2%	6.9%

Minimum HRA reserves: £4m; Major Repairs Reserve: £5m; Interest cover: 1.25x.

### 31. Sustainability

31.1. Due to the long-term nature of capital expenditure, revenue implications extend up to 50 years. The Section 151 Officer confirms the capital programme is prudent, affordable, and sustainable.

### 32. Borrowing in Advance of Need

32.1. CIPFA have stated that local authorities should not be borrowing in advance of need. Therefore, any decisions to borrow in advance will be considered carefully on an exceptional basis and only progressed if it is the most financial advantageous option for the Council and any risks can be sufficiently minimised.

### 33. Credit and Risk Management – 2026/27

33.1. Treasury investments in sectors marked with an asterisk (\*) will only be made with entities whose lowest published long-term credit rating is A- or higher. Where available, the rating relevant to the specific investment or class of investment will be used; otherwise, the counterparty's credit rating applies.

33.2. Investment decisions are never based solely on credit ratings—other factors, including market intelligence and external advice, will be considered. For entities without published ratings, investments may be made where external advice confirms equivalent credit quality.

### 34. Approved Investment Types

- 34.1. Government: Loans to, and bonds or bills issued or guaranteed by, national governments, regional/local authorities, and multilateral development banks. These are not subject to bail-in and generally carry lower insolvency risk. Investments with the UK Government are deemed zero credit risk and may be made in unlimited amounts.
- 34.2. Banks and Building Societies (Unsecured): Accounts, deposits, certificates of deposit, and senior unsecured bonds. These carry bail-in risk if regulators deem the bank failing.
- 34.3. Money Market Funds (MMFs): Pooled investment vehicles offering same-day or short-notice liquidity and low volatility. They provide diversification and professional management for a small fee. No sector limit applies, but the Council will diversify across providers to ensure access to cash.
- 34.4. Strategic Pooled Funds: The Council may consider from time-to-time investments in pooled funds, e.g. pooled bond, equity or property funds that offer enhanced returns over the longer term but are potentially more volatile over the shorter term. These funds allow the Council to diversify into asset classes other than cash without need to own or manage the underlying investments. Such investments are subject to availability of cash for a longer-term investment and satisfactory outcomes of due diligence against the Council's risk appetite and reserves,
- 34.5. The Council will maintain operational bank accounts only with institutions meeting the minimum creditworthiness criteria set out in the Annual Investment Strategy. To mitigate bail-in risk, operational balances will be kept to the minimum necessary for day-to-day liquidity, with surplus cash invested into approved money market funds or other secure short-term instruments. Additional institution-specific limits apply to ensure diversification and avoid concentrated exposure.

## **35. Risk Assessment and Credit Monitoring**

- 35.1. Credit ratings are monitored by the Council's treasury advisers, who notify changes immediately.
- 35.2. If a counterparty's rating falls below approved criteria:
  - No new investments will be made.
  - Existing investments that can be recalled or sold at no cost will be.
  - All other investments will be reviewed for possible withdrawal.
- 35.3. If a rating is placed on negative watch, only investments withdrawable on the next working day will be made until the review concludes.
- 35.4. Negative outlooks (long-term trend) do not trigger restrictions.

## **36. Additional Security Measures**

- 36.1. Credit ratings are useful but imperfect predictors of default. The Council will also consider:
  - Credit default swap prices

- Financial statements
- Government support indicators
- Market intelligence and adviser analysis

36.2. No investments will be made where there are substantive doubts about credit quality, even if rating criteria are met.

### **37. Reputational Risk**

37.1. The Council recognises that some counterparties, while financially secure, may pose reputational risks. These will be considered in all investment decisions.

### **38. Market Stress Conditions**

38.1. In periods of market stress (e.g., 2008, 2020, 2022), credit ratings may not reflect systemic risk. In such cases:

- Investments will be restricted to higher-quality counterparties.
- Maximum investment durations will be shortened.
- If suitable commercial counterparties are unavailable, surplus funds will be placed with the UK Government or other local authorities. This may reduce returns but will protect capital.

### **39. Minimum Revenue Provision Statement – 2026/27**

39.1. MRP is a mandatory annual charge councils make to pay off debt used for capital projects (like buildings or infrastructure), ensuring they prudently set aside money to repay borrowed funds over time, guided by government rules but with flexibility in calculation methods like the annuity or straight-line methods, aiming to match debt repayment to asset life. This Minimum Revenue Provision (MRP) policy complies with May 2024 statutory guidance and is effective from 1 April 2025. The key elements to note are:

- **Debt Repayment:** It's the amount local authorities must budget for to reduce their Capital Financing Requirement (CFR) – the cumulative debt from borrowing for long-term assets.
- **Statutory Duty:** Councils have a legal duty to make this provision.
- **Prudence:** The goal is to ensure debt isn't passed on indefinitely and is repaid within a sensible timeframe, linked to the asset's useful life

### **40. MRP Policy Principles**

- MRP will begin in the year following the asset coming into use.
- The charge will reflect repayment over a period reasonably commensurate with the asset's useful life. No CFR will be omitted unless legally exempted.

### **41. Pre-April 2008 Supported Capital Expenditure**

41.1. MRP will continue to be calculated using the closing balance method, reducing by 4% of the closing CFR from the previous year.

## **42. Post-31 March 2008 Capital Expenditure**

42.1. MRP is calculated on an annuity basis using the expected useful life of the asset, with the interest rate set to the average PWLB long-term rate in the year the asset becomes operational.

42.2. Freehold land acquisitions are provided for over 50 years.

## **43. Capital Loans to Third Parties**

43.1. MRP treatment varies depending on circumstances and follows updated guidance:

43.2. Capital expenditure loans to third parties:

- If principal repayment is received during the year, the capital expenditure will be funded from the receipt, rather than borrowing, so that there is no new borrowing requirement or MRP requirement in future years. Any excess capital receipts from repayments are applied to reduce CFR.
- In years where there is no principal repayment, or insufficient repayment, and so loans are funded by borrowing, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including, where appropriate, delaying MRP until the year after the assets become operational.
- Additionally, where principal repayments (or expected credit losses) occur, MRP is charged to ensure the outstanding CFR does not exceed the actual Principal Outstanding minus any Expected Credit Loss.

43.3. Non-commercial loans benefiting public services, with timely repayments, will be treated as specified by the relevant Capitalisation Direction via annuity method.

## **44. Capitalisation Directions**

44.1. MRP on expenditure funded through approved Capitalisation Directions will use the annuity method over the specified asset life.

## **45. PFI and Leases**

45.1. For assets acquired by finance leases or PFI (Private Finance Initiatives), MRP will be equal to the charge that writes down the balance sheet liability i.e. the principal repaid in year. For former operating leases brought onto balance sheet due to IFRS16 Leases, MRP charges will be based on the value of the right-of-use asset recognised on transition rather than the liability.

## **46. General Fund and HRA Treatment**

46.1. All external borrowing, including investment assets, is included in CFR and will be matched by MRP over asset life as required by updated guidance.

46.2. Transfers between HRA and General Fund are managed via a notional interest mechanism to fairly allocate costs/income.

## 47. Formal Approval

47.1. Approval of this statement will be included within the Council's TMS for 2026/27. It aligns with updated regulatory guidance and ensures full recovery of CFR over time.

## 48. Financial Implications – 2026/27

48.1. The estimated investment income for 2026/27 is £1.3 million, based on an average investment portfolio of £66.7million. The income is to enable provision to be created to mitigate the risk of company losses.

48.2. The estimated debt interest payable for 2026/27 is £13.2m.

48.3. General Fund: £13.2 million, based on an average debt portfolio of £ 373.40million at an average interest rate of 3.794%.

48.4. Housing Revenue Account (HRA): £4.2 million, based on an average debt portfolio of £122 million at an average interest rate of 3.48%.

48.5. Actual performance will vary if investment balances, borrowing levels, or interest rates differ from these assumptions.

## 49. Non-Treasury Management Investments

49.1. The non-treasury management investment strategy is required following statutory guidance issued by the government (MHCLG) in January 2018 and focuses upon service and commercial investments defined as per below:

- i. Service Investments – those made to support local public services by lending to or buying shares in other organisations; and
- ii. Commercial Investments – those made to regenerate the Borough or immediate economic area to encourage private investment and to create or retain local jobs.

49.2. The council has made several Non-Treasury Management Investments in the past via loan structures and these are detailed in table below. Any changes and all new investments will be subject to business cases that comply with CIPFA guidance and financial procedure rules.

49.3. Contribution: The Code requires that where such investments have been made reference is made to the contribution these investments make to help support the Council's budget to enable it to delivery its essential services.

**Table 18: Non-Treasury Investments**

Debtor	Balance 31/03/2026 £m	Interest receivable 2025/26 £m	Rate %
James Elliman Homes	51.7	1.6	3%
SUR LLP - loan notes	0.9		5%
GRE 5 Ltd*	5.2	0.3	6%

Slough Children First Ltd**	0	0	1.40%
<b>TOTAL</b>	<b>57.8</b>	<b>1.8</b>	<b>3.85%</b>

\*GRE5 have a loan facility agreed with the Council of up to a total of £15m.

\*\* Slough Children First Ltd have a loan facility agreement of up to £5m with the Council.

### Loans

- 49.4. The Council may lend money to its subsidiaries, its suppliers, local businesses, local charities or housing associations etc. to support local public services and stimulate local economic growth.
- 49.5. The Council will ensure that a full due diligence exercise is undertaken, and adequate security is in place and subject to relevant business plan approval. The business case will balance the benefits and risks. All loans are agreed by the Section 151 Officer in accordance with the Treasury Policy Statement and the Council's Treasury and Investment Management Practices. All loans will be subject to close, regular monitoring.
- 49.6. Loans are treated as capital expenditure for accounting treatment. These service investments and loans will need to be considered in the context of the Councils wider target affordability thresholds outlined in the section on Revenue Budget Implications above.
- 49.7. Security: The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. Therefore, the Council should aim to take security against assets to mitigate the risk of default.
- 49.8. Accounting standards require the Council to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Council's statement of accounts will be shown net of this loss allowance. However, the Council makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.
- 49.9. Risk Assessment: The Council assesses the risk of loss before entering into and whilst holding service loans by:
1. reviewing the financial statements of the organisation and reviewing the organisation's business plans and future projections and future cash flows.
  2. assessing what security is available to secure the loan and if necessary, carry out a professional valuation of any property.
  3. using external advisors to provide professional information such as due diligence requirements.
  4. the loan agreements are reviewed by our legal team to ensure that they are legally compliant and includes any safeguards for the Council.
  5. if an organisation has a credit rating, we will carry out a credit check to assist.
  6. the rate of interest charged on any loan will reflect the risk of the project and potential for default.

7. subsidy controls rules are considered before a loan can be considered.

### Shares

49.10. The Council may invest in the shares of its subsidiaries, its suppliers, and local businesses to support local public services and stimulate local economic growth.

49.11. Security: One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered.

49.12. Risk Assessment: The Council assesses the risk of loss before entering into and whilst holding shares by reviewing the history of the organisation, its financial statements and its share values. The Council will also look at business plans, future cash flows and any other market information that may affect the organisation.

49.13. Liquidity: The Council covers its liquidity for working capital and cash flow by holding cash in Money Market Funds and being able to borrow short term loans from other local Councils.

### Property Investment:

49.14. Security: One of the risks of investing in property is that the value may fall due to market fluctuations meaning that in the event of a disposal the initial outlay may not be recovered.

49.15. Risk Assessment: The Council assesses the risk of loss before entering into and whilst holding property investments by carrying out an evaluation process.

49.16. The risk of not achieving the desired profit or borrowing costs increasing or the having vacant premises is partially covered by a void reserve. Annual payments are deducted from the rental income each year to add to the void reserve.

49.17. Liquidity: Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed; the Council makes an internal charge (service borrowing) to cover the capital repayments from the rental income.

49.18. The Council also makes alternative arrangement to cover their short-term cash requirements.

## **50. Proportionality**

50.1. The Council uses the profit generated by the commercial investments to help achieve a balanced revenue budget.

## **51. Loan Commitments and Financial Guarantees**

51.1. Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Council.





## **Treasury Management Policy Statement – 2026/27**

In accordance with the CIPFA Treasury Management Code, Slough Borough Council adopts the following policy statement:

### **Definition of Treasury Management Activities**

Treasury Management is defined as:

- The management of the Council's investments and cash flows, its banking, money market, and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

### **Risk Management as the Primary Objective**

The Council regards the successful identification, monitoring, and control of risk as the prime criteria by which the effectiveness of its treasury management activities will be measured.

Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation and any financial instruments entered into to manage these risks.

### **Value for Money and Strategic Support**

The Council acknowledges that effective treasury management provides essential support for achieving its business and service objectives. It is therefore committed to:

- The principles of value for money in treasury management
- Employing sound risk management practices
- Ensuring compliance with the CIPFA Code of Practice and relevant statutory guidance

### Treasury Management Reporting Cycle

The Council has adopted the following reporting arrangements in accordance with the requirements of the Treasury Management Code:

Area of Responsibility	Council/Committee/Officer	Frequency
Treasury Management Policy Statement	Full Council	Annually before start of financial year
Treasury Management Strategy/Annual Investment Strategy	Full Council	Annually before start of financial year
Quarterly Treasury Management and Prudential Indicator updates	Audit & Corporate Governance Committee	Quarterly
Updates or revisions to Treasury Management Strategy/Annual Investment Strategy during year	Cabinet (following consideration by Corporate Governance Committee, wherever practical)	Ad hoc
Annual Treasury Outturn Report	Cabinet	Annually by end of September following year end
Treasury Management Practices	Executive Director of Resources	As needed
Review of Treasury Management Strategy/Annual Investment Strategy	Audit & Corporate Governance Committee	Annually before start of financial year and before consideration by full Council, wherever practical
Review of Treasury Management Performance	Audit & Corporate Governance Committee	Annually by end of September following year end

The CIPFA Financial Management Code (FM Code) provides guidance for good and sustainable financial management in local authorities and demonstrating compliance with the CIPFA FM Code is a collective responsibility of elected members, the s151 Officer and all members of the leadership team.

In the context of this strategy the Council will ensure, maintain, or improve compliance with the code in the following areas:

- There are appropriate arrangements in place for the project management and cost control of capital projects.
- The Council has in place suitable mechanisms for monitoring its performance against the prudential indicators that it has set.
- The Council has identified the elements of the balance sheet that are most critical to its financial sustainability and has put in place mechanisms to monitor the risk associated with these.
- The Council has taken action to mitigate any risks identified. The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.

- The Council will report planned and unplanned use of reserves in a timely manner(quarterly) to the management team and to Cabinet.
- The monitoring of balance sheet risks will be integrated into the quarterly budget monitoring reporting processes. The Councils' treasury management system facilitates live balance sheet analysis.

### **Capacity, Skills and Culture**

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions.

The Council employs staff with professional qualifications including CIPFA, ACCA, CIMA, MRICS, CIPS etc. and supports permanent staff to study towards relevant qualifications.

The S151 Officer should regularly review the skillsets of elected members and all officers with governance and financial management responsibility to ensure as a collective there is the appropriate skills, training and support to fulfil these responsibilities. This will be set out formally in a new Knowledge and Skills Policy to be presented later in 2025/2026.

Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field, can provide capacity, manage risks and support knowledge transfer. The Council currently employs Arlingclose Limited as treasury management advisers.

The Property Director receives regular updates on market activity, trends, forecasts and occupier activity from RICS firms and in-house surveyors to support the decision process.

### Arlingclose Economic Outlook as at 22 December 2025

#### Underlying assumptions:

- The Bank of England duly delivered on expectations for a December rate cut, but, despite softer economic data over the past two weeks, the minutes highlighted increased caution surrounding both the inflation outlook and the speed of future easing. With a close vote of 5-4 in favour of a rate reduction, this suggests that the bar for further monetary easing may be higher than previously thought despite the possibility of the CPI rate falling to target in 2026.
- Budget policies and base effects will mechanically reduce the CPI rate in 2026, on top of the downward pressure arising from soft economic growth and the looser labour market. However, many policymakers appear concerned that household and business inflation and pricing expectations are proving sticky following recent bouts of high price and wage growth, which may allow underlying inflationary pressure to remain elevated. While, the Bank's measure of household expectations ticked lower in December, it remains above levels consistent with the 2% target at 3.5%.
- While policymakers hold valid concerns, these appear somewhat out of line with current conditions; CPI inflation fell to 3.2% in November, private sector wage growth continued to ease amid the highest unemployment rate since the pandemic, and the economy contracted in October after barely growing in Q3. Business surveys pointed to marginally stronger activity and pricing intentions in December but also suggested that the pre-Budget malaise was not temporary. These data are the latest in a trend suggesting challenging economic conditions are feeding into price and wage setting.
- Risks to the growth and inflation outlook lie to the downside, which may ultimately deliver lower Bank Rate than our central case. However, the minutes suggest that the bar to further rate cuts beyond 3.25% is higher and the near-term upside risks to our Bank Rate forecast have increased. Having said that, we believe inflation expectations will naturally decline alongside headline inflation rates.
- Investors appear to have given the UK government some breathing space following the Budget, with long-term yields continuing to trade at slightly lower levels than in late summer/early autumn. Even so, sustained heavy borrowing across advanced economies, the DMO's move towards issuing more short-dated gilts and lingering doubts about the government's fiscal plans will keep short to medium yields above the levels implied by interest rate expectations alone.

#### Forecast:

- In line with our long-held forecast, Bank Rate was cut to 3.75% in December.
- Continuing disinflation, rising unemployment, softening wage growth and low confidence suggests that monetary policy will continue to be loosened.
- Arlingclose expects Bank Rate to be cut to 3.25% by middle of 2026. However, near-term upside risks to the forecast have increased.
- Medium and long-term gilt yields continue to incorporate premia for UK government credibility, global uncertainty and significant issuance. These issues may not be resolved quickly and we expect yields to remain higher

	Current	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-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	3.75	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
Downside risk	0.00	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
<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	3.82	3.55	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.35	3.35	3.35
Downside risk	0.00	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
<b>5yr gilt yield</b>													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	3.96	3.85	3.80	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.80	3.80	3.80
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
<b>10yr gilt yield</b>													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.52	4.40	4.35	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.35	4.35	4.35
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
<b>20yr gilt yield</b>													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	5.16	5.00	4.95	4.90	4.90	4.90	4.90	4.90	4.90	4.90	4.95	4.95	4.95
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
<b>50yr gilt yield</b>													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.74	4.65	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.65	4.65	4.65
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85

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

Charts show the Arlingclose central case along with upside and downside risks:  
Arlingclose judges the risk around its Bank Rate and gilt yield forecasts to be weighted to the downside in the medium term.

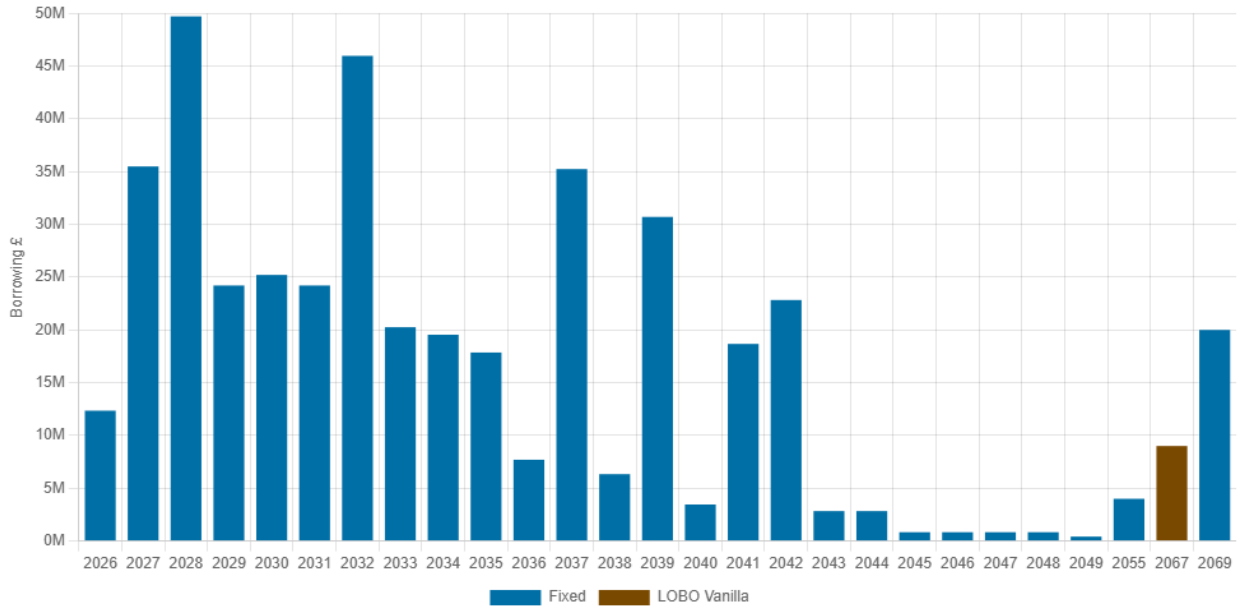


## List of Borrowing as of 31 December 2025

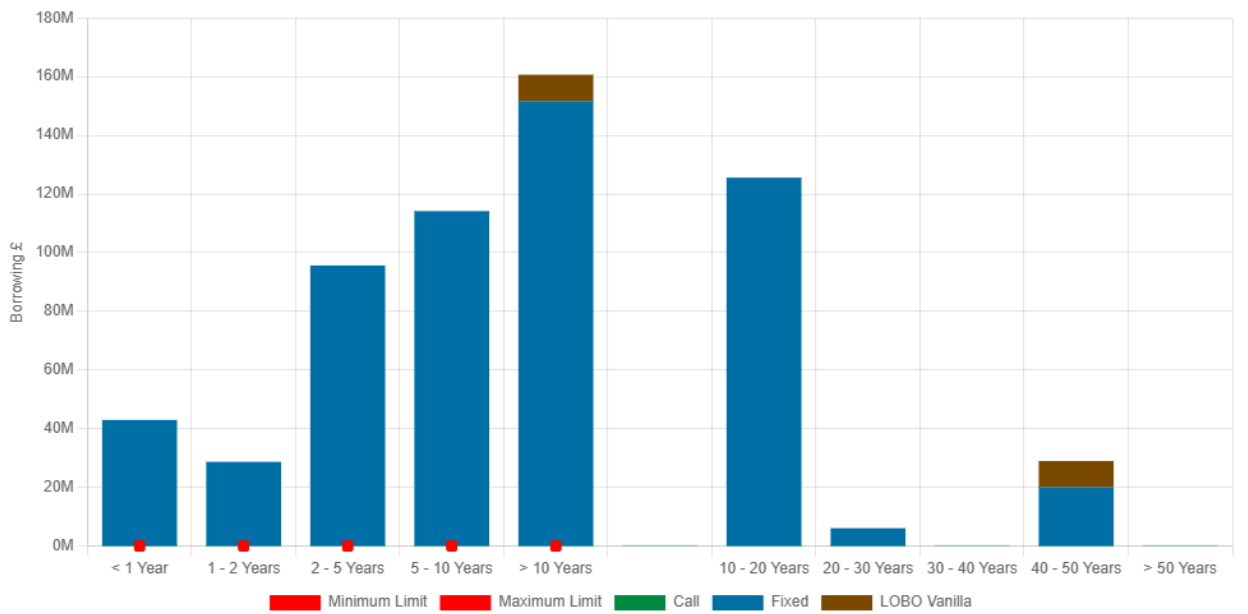
Class	Type	Deal Ref	Original Term, Years	Maturity Date	Counterparty	Profile	Rate	Principal O/S (£)
Loan	Fixed	707431	2	01/03/26	PWLB	EIP	5.4600%	7,500,000.00
Loan	Fixed	712285	2	18/04/26	PWLB	EIP	5.3200%	10,780,000.00
Loan	Fixed	498001	17	30/09/27	PWLB	Maturity	3.8500%	3,280,000.00
Loan	Fixed	487800	19	25/03/28	PWLB	Maturity	4.4500%	820,000.00
Loan	Fixed	488859	16	25/09/29	PWLB	Maturity	4.9500%	410,000.00
Loan	Fixed	429	5	10/08/30	PWLB	EIP	4.6000%	10,000,000.00
Loan	Fixed	509818	12	02/03/31	PWLB	EIP	1.0700%	9,565,217.38
Loan	Fixed	489227	23	15/10/31	PWLB	Maturity	4.7000%	4,100,000.00
Loan	Fixed	428	7	08/04/32	PWLB	EIP	4.7900%	9,285,714.29
Loan	Fixed	431	8	19/10/33	PWLB	EIP	4.8200%	10,000,000.00
Loan	Fixed	509540	15	25/07/34	PWLB	EIP	1.4000%	7,800,000.03
Loan	Fixed	433	9	21/10/34	PWLB	EIP	4.7700%	10,000,000.00
Loan	Fixed	434	9	22/10/34	PWLB	EIP	4.7600%	10,000,000.00
Loan	Fixed	417	10	26/11/34	PWLB	EIP	5.0200%	18,000,000.00
Loan	Fixed	418	10	20/12/34	PWLB	EIP	4.9200%	18,000,000.00
Loan	Fixed	421	10	11/02/35	PWLB	EIP	5.0000%	9,500,000.00
Loan	Fixed	430	9	15/02/35	PWLB	EIP	4.9000%	10,000,000.00
Loan	Fixed	426	10	30/03/35	PWLB	EIP	5.0700%	9,500,000.00
Loan	Fixed	763241	11	24/09/35	PWLB	EIP	4.4500%	9,090,909.09
Loan	Fixed	490923	28	01/05/36	PWLB	Maturity	4.1500%	2,460,000.00
Loan	Fixed	490924	28	01/08/36	PWLB	Maturity	4.1500%	4,100,000.00
Loan	Fixed	432	11	17/10/36	PWLB	EIP	4.9100%	10,000,000.00
Loan	Fixed	507555	20	19/07/38	PWLB	EIP	2.1200%	16,250,000.00
Loan	Fixed	494837	30	01/08/38	PWLB	Maturity	4.7200%	4,100,000.00
Loan	Fixed	508164	20	11/12/38	PWLB	EIP	2.0800%	13,000,000.00
Loan	Fixed	509380	20	21/06/39	PWLB	EIP	1.6900%	16,875,000.00
Loan	Fixed	508766	25	14/03/44	PWLB	EIP	2.2200%	37,000,000.00
Loan	Fixed	507556	30	19/07/48	PWLB	EIP	2.3600%	19,166,666.66
Loan	Fixed	164	50	10/07/54	Barclays Bank plc	Maturity	4.7600%	3,280,000.00
Loan	LOBO Vanilla	165	60	07/04/66	FMS WM	Maturity	3.9900%	4,100,000.00
Loan	LOBO Vanilla	166	60	28/04/66	Dexia	Maturity	3.7500%	3,280,000.00
Loan	Fixed	507959	50	30/10/68	PWLB	Maturity	2.5900%	20,000,000.00
<b>GF Loans Total</b>							<b>3.6240%</b>	<b>321,243,507.44</b>
Class	Type	Deal Ref	Original Term, Years	Maturity Date	Counterparty	Profile	Rate	Principal O/S (£)
Loan	Fixed	498001	17	30/09/27	PWLB	Maturity	3.8500%	720,000.00
Loan	Fixed	487800	19	25/03/28	PWLB	Maturity	4.4500%	180,000.00
Loan	Fixed	500578	16	28/03/28	PWLB	Maturity	3.0800%	20,000,000.00
Loan	Fixed	488859	16	25/09/29	PWLB	Maturity	4.9500%	90,000.00
Loan	Fixed	489227	19	15/10/31	PWLB	Maturity	4.7000%	900,000.00
Loan	Fixed	500582	20	28/03/32	PWLB	Maturity	3.3000%	20,000,000.00
Loan	Fixed	490923	28	01/05/36	PWLB	Maturity	4.1500%	540,000.00
Loan	Fixed	490924	28	01/08/36	PWLB	Maturity	4.1500%	900,000.00
Loan	Fixed	500579	25	28/03/37	PWLB	Maturity	3.4400%	20,000,000.00
Loan	Fixed	494837	30	01/08/38	PWLB	Maturity	4.7200%	900,000.00
Loan	Fixed	500584	27	28/03/39	PWLB	Maturity	3.4700%	20,000,000.00
Loan	Fixed	500581	29	28/03/41	PWLB	Maturity	3.4900%	15,841,000.00
Loan	Fixed	500580	30	28/03/42	PWLB	Maturity	3.5000%	20,000,000.00
Loan	Fixed	164	50	10/07/54	Barclays Bank plc	Maturity	4.7600%	720,000.00
Loan	LOBO Vanilla	165	60	07/04/66	FMS WM	Maturity	3.9900%	900,000.00
Loan	LOBO Vanilla	166	60	28/04/66	Dexia	Maturity	3.7500%	720,000.00
<b>HRA Loans, Total</b>							<b>3.4251%</b>	<b>122,411,000.00</b>
<b>Loans, Grand Total:</b>							<b>3.5691%</b>	<b>443,654,507.44</b>

# Borrowing Maturity Profile as of 31 December 2025

Borrowing by Year



Borrowing Maturity Buckets



## List of Cash Investments as of 31 December 2025

Class	Type	Deal Ref	Maturity Date	Counterparty	Profile	Rate	Principal O/S (£)
Deposit	MMF	2100003275	On Call	Federated Prime Rate Sterling Liq	Maturity	Variable	-5,830,000.00
Deposit	MMF	2100003318	On Call	LGIM Sterling Liquidity	Maturity	Variable	-4,230,000.00
Deposit	MMF	2100004010	On Call	Aviva Investors Sterling Liquidity Fund GBP	Maturity	Variable	-10,000,000.00
<b>MMF, Sub-Total</b>				.....			<b>-20,060,000.00</b>
<b>Banks, Sub- Total</b>				.....			<b>0.00</b>
<b>Local Authorities, Sub-Total</b>				.....			<b>0.00</b>
<b>Cash Investments, Total</b>				.....			<b>-20,060,000.00</b>