Report to:

Overview and Scrutiny Management Committee – 12 December 2025
Cabinet – 15 December 2025

Wards All

TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY – MID YEAR REVIEW REPORT 2025/26

Report of the Executive Director of Corporate Resources (S151 Officer)

This item is not exempt
Therefore exempt reasons are not applicable

This is a Non-Key Decision

1. Purpose of the Report and Summary

1.1 To provide Members with an update on Treasury Management activity and performance in the first half of the financial year 2025/26, as required by the Council's Treasury Management Policy Statement.

1.2 The scope and content of this report are in line with the requirements of the Treasury Management Code of Practice and the Prudential Code for Capital Finance, and is therefore more detailed than standard committee reports.

1.3 A **Glossary of Terms** as shown at Appendix 5.

2. Executive Summary

2.1 Throughout the financial year 2025/26 Treasury Management officers have operated within the requirements and guidelines of the Prudential Code as laid down in the approved Treasury Management Strategy and Policy Statement, in terms of safeguarding the Council's investments whilst ensuring they remain accessible, liquid and generate a return as required to support the Council's Medium Term Financial Plan (MTFP).

2.2 In light of increased borrowing rates and the capital financing costs associated with the delivery of the capital programme, Officers are monitoring forecasts very closely and continue to liaise with the Council's Treasury advisors, MUFG Corporate Market, in terms of ongoing borrowing assumptions, debt rescheduling

and investment opportunities, with the view of identifying and realising revenue savings where possible against budgeted borrowing costs.

2.3 The security of funds is being maintained in these current volatile times, and performance and operation has continued to remain within the approved Prudential Indicator limits.

2.4 The revised Capital Programme is being considered by Cabinet on the 15th of December. The affordability prudential indicators have been reviewed and updated to reflect the latest capital expenditure forecasts and the current short term temporary borrowing strategy.

3. Recommendations

3.1 Members note the report; the investment returns achieved during 2025/26 and performance against the revised prudential indicators as shown at Appendix 1.

3.2 Members confirm that they remain content with the approved Investment Strategy as shown at Appendices 2 to 4.

3.3 Members note the revised Prudential Indicators as shown in Appendix 1 to reflect the latest capital expenditure and financing forecasts.

4. Reasons for Recommendations

4.1 As required by the Treasury Management Strategy Statement 2025/26 approved by Council in February 2025, delegation for considering the Mid-Year Review Report is to the Cabinet Executive Committee.

5. Key Organisational Impacts

5.1 Impact on other Executive Committees (including Area Committees) and decision makers

There is no impact upon other committees.

5.2 Contribution to the delivery of the Community Plan, the Council Plan and/or Area Plans

The provision of reliable financial information supports the Council's decision making processes and therefore impacts on all Council priorities.

5.3 Impact on other key strategies/business plans

The provision of reliable financial information supports the Council's decision making processes and therefore impacts on all Council priorities.

5.4 Equalities Impact Information

There is no equality impacts identified as a result of this report.

6. Consultation

6.1 This report is an information only report with no further consultation required.

7. Background

7.1 The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low-risk counterparties, providing adequate liquidity initially before considering optimising investment return.

7.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer-term cash may involve arranging long or short-term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

7.3 Accordingly, treasury management is defined as:

> "The management of the local authority'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."

8. Issues for Consideration

8.1 Reviewing the treasury activities of the Council for 2025/26 to date as compared to the Treasury Management Strategy approved by Council in February 2025, and the Quarter 1 Update considered by Cabinet in October 2025, and with regards to the current treasury and economic environment.

9. Introduction

9.1 This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (2017).

9.2 The primary requirements of the Code are as follows:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
- Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
- Receipt by the full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a **Mid-year Review Report** (this report) and an Annual Report, covering activities during the previous year. (Quarterly reports are also required for the periods ending April to June and October to December but may be assigned to a designated committee or panel as deemed appropriate to meet the Treasury Management governance and scrutiny aspects of the Council.)
- Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
- Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specified named body which in this Council is the Finance and Value for Money Overview and Scrutiny Commission.

9.3 The mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management (2017), and covers the following:

- An economic update for the first part of the 2025/26 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
- A review of the Council's investment portfolio for 2025/26;
- A review of the Council's borrowing strategy for 2025/26;
- A review of any debt rescheduling undertaken during 2025/26;
- A review of compliance with Treasury and Prudential Limits for 2025/26.

10. Economic Update

10.1 The following information is designed to impart a degree of knowledge around factors impacting on the treasury management function at the Council. This environment is constantly changing, no more so than in recent years. Any significant issues that arise between the report being written and the actual committee date will be reported verbally.

10.2 The first half of 2025/26 saw:

- A 0.3% pick up in GDP for the period April to June 2025. More recently, the economy flatlined in July, with higher taxes for businesses restraining growth.

- The 3m/yy rate of average earnings growth excluding bonuses has fallen from 5.5% to 4.8% in July.
- CPI inflation has ebbed and flowed but finished September at 3.8%, whilst core inflation eased to 3.6%.
- The Bank of England cut interest rates from 4.50% to 4.25% in May, and then to 4% in August.
- The 10-year gilt yield fluctuated between 4.4% and 4.8%, ending the half year at 4.70%.

10.3 There were four Monetary Policy Committee (MPC) meetings in the first half of the financial year. In May, the Committee cut Bank Rate from 4.50% to 4.25%, while in June policy was left unchanged. In August, a further rate cut was implemented. However, a 5-4 split vote for a rate cut to 4% laid bare the different views within the Monetary Policy Committee.

10.4 The Bank of England does not anticipate CPI getting to 2% until early 2027, and with wages still rising by just below 5%, it was no surprise that the September meeting saw the MPC vote 7-2 for keeping rates at 4%.

11. Interest rate forecasts

11.1 The Council's treasury advisors, MUFG Corporate Markets, has provided the following forecast (PWLB rates are certainty rates, gilt yields plus 80bps):

Interest Rate Forecasts								
Bank Rate	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27
MUFG CM	4.00%	3.75%	3.75%	3.50%	3.50%	3.50%	3.50%	3.25%
Cap Econ	4.00%	3.75%	3.50%	3.25%	3.00%	3.00%	3.00%	3.00%
5Y PWLB RATE								
MUFG CM	4.70%	4.50%	4.40%	4.30%	4.30%	4.30%	4.20%	4.20%
Cap Econ	5.00%	4.80%	4.70%	4.60%	4.50%	4.50%	4.50%	4.60%
10Y PWLB RATE								
MUFG CM	5.20%	5.00%	4.90%	4.80%	4.80%	4.80%	4.70%	4.70%
Cap Econ	5.60%	5.40%	5.30%	5.20%	5.10%	5.10%	5.20%	5.30%
25Y PWLB RATE								
MUFG CM	5.90%	5.70%	5.70%	5.50%	5.50%	5.50%	5.40%	5.40%
Cap Econ	6.20%	6.00%	5.90%	5.70%	5.50%	5.60%	5.60%	5.70%
50Y PWLB RATE								
MUFG CM	5.60%	5.40%	5.40%	5.30%	5.30%	5.30%	5.20%	5.20%
Cap Econ	5.80%	5.60%	5.50%	5.30%	5.20%	5.20%	5.30%	5.40%

11.2 The latest forecast on 17th November sets out a view that short, medium and long-dated interest rates will fall slightly over the next year or two, although there are upside risks in respect of the stickiness of inflation and a continuing tight labour market, as well as the size of gilt issuance.

12. Treasury Management Strategy Statement and Annual Investment Strategy Update

12.1 The Treasury Management Strategy Statement (TMSS) for 2025/26 was approved by Council on 27th February 2025.

12.2 There are no proposed policy changes to the TMSS, the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

13. The Council's Capital Position (Prudential Indicators)

13.1 This part of the report is structured to update:

- The Council's capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

Prudential Indicators for Capital Expenditure

13.2 In line with the requirements of the Prudential Code, Council on 27th February 2025 approved a range of Prudential Indicators for 2025/26 and future years, aimed at ensuring affordability of capital plans and effective treasury management.

13.3 The table below shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Council 27th February 2025. This revised capital expenditure programme is the subject of a separate report presented to Members on 15th December 2025.

Capital Expenditure by Programme Theme	**2025/26 Q1 Estimate £m**	**Current Spend *(31/10/25)* £m**	**2025/26 Revised Estimate £m**
Roads and Infrastructure	25.004	7.625	24.352
Clean Environment	2.297	0.121	2.316
Crime Prevention	0.750	0.180	0.750
Carbon Reduction	32.839	24.836	31.276
Efficiency and VFM (Inc. Property & Assets)	17.157	8.524	17.037
Improving Local Areas (inc. Schools)	77.650	22.763	81.820
Service Transformational Schemes (Capital Receipts Flexibility)	3.000	-	3.000
Other (Programme Support/Contingencies)	2.858	-	2.795

Over-Programming	(30.000)	-	(30.000)
Sub Total	**131.555**	**64.049**	**133.346**
HRA	95.702	34.091	95.743
Total	**227.257**	**98.140**	**229.089**

Changes to the Financing of the Capital Programme

13.4 The table below draws together the main strategy elements of the capital expenditure plans (above), highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Council way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Capital Expenditure	**2025/26 Q1 Estimate £m**	**Current Position** *(31/10/25)* **£m**	**2025/26 Revised Estimate £m**
Total spend	**227.257**	**98.140**	**229.089**
Financed by:			
Capital receipts	15.175		15.175
Capital grants	73.561		76.682
Capital reserves	35.434		35.434
Revenue	0.000		0.000
Total financing	**124.170**		**127.291**
Borrowing need	**103.087**		**101.798**

Changes to the Prudential Indicators for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary

13.5 The below shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period. This is termed the Operational Boundary.

	2025/26 Q1 Estimate £m	2025/26 Revised Estimate £m
Prudential Indicator – Capital Financing Requirement		
CFR – non housing	879.827	888.115
CFR – housing	255.992	256.033
Total CFR	**1,135.819**	**1,144.148**
Net movement in CFR	**87.296**	**95.625**
Operational Boundary		
Borrowing	773.758	773.758
Change in Borrowing	103.087	101.798
10% Net Budget Requirement	42.660	42.660
Other long-term liabilities*	215.623	213.153
Total	1,135.128	1,131.369

* On balance sheet PFI schemes and finance leases.

Limits to Borrowing Activity

13.6 The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2025/26 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

	2025/26 Q1 Estimate £m	Current Position £m	2025/26 Revised Estimate £m
Gross borrowing	876.845	839.066	875.556
Plus other long term liabilities*	213.999	213.153	213.153
Gross borrowing	1,090.844	1,052.219	1,088.709
CFR (year-end position)	1,135.819	1,143.173	1,144.148

* - On balance sheet PFI schemes and finance leases.

13.7 The Executive Director of Corporate Resources reports that no difficulties are envisaged for the current or future years in complying with this prudential indicator.

13.8 A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with

some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

and

Authorised limit for external debt	2025/26 Q1 Indicator £m	2025/26 Revised Indicator £m
Borrowing	876.845	875.556
Plus other long term liabilities*	215.623	213.153
10% Net Budget Requirement	42.660	42.660
Plus possible additional borrowing (grants/capital receipts)	88.736	91.857
Total	**1,223.864**	**1,223.226**

* On balance sheet PFI schemes finance leases.

14. Investment Portfolio 2025/26

14.1 The Treasury Management Strategy Statement (TMSS) for 2025/26, which includes the Annual Investment Strategy, was approved by the Council in February 2025. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Council's investment priorities as being:

- Security of capital
- Liquidity
- Yield

The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with high credit rated financial institutions, using the Link suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.

14.2 The Council held £44.1m of investments as of 30 September 2025 and the investment portfolio yield for the first six months of the year is 4.20% against a benchmark 6 month SONIA average of 3.98%.

14.3 SONIA (Sterling Overnight Index Average) is an interest rate benchmark – also known as a reference rate or a benchmark rate. It is based on the terms of actual overnight transactions and so the rate is largely unaffected by bank credit risk. It is the near risk-free rate ("RFR") for sterling markets. SONIA was introduced in 1997 and reformed in April 2018. Since 2016 it has been calculated and administered by the Bank of England. The rate for a given London business day is published at 9am on the following London business day.

Period	SONIA benchmark	Council performance	Investment interest earned £m

	return (average)		
6 month	3.98%	4.20%	£2.093

14.4 A full list of investments held on 30th September 2025 is shown in Appendix 4.

14.5 The Executive Director of Corporate Resources confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2025/26.

14.6 The Council's budgeted investment return for 2025/26 (including dividends) is £0.850m.

Investment Counterparty Criteria

14.7 The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

15. Borrowing

15.1 The Council's revised capital financing requirement (CFR) for 2025/26 is £1,144m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. Table 12.6 shows the Council has forecast gross borrowings of £1.089m and has utilised cash flow funds in lieu of borrowing. This is a prudent and cost effective approach in the current economic climate but will require ongoing monitoring in the event that upside risk to gilt yields prevails.

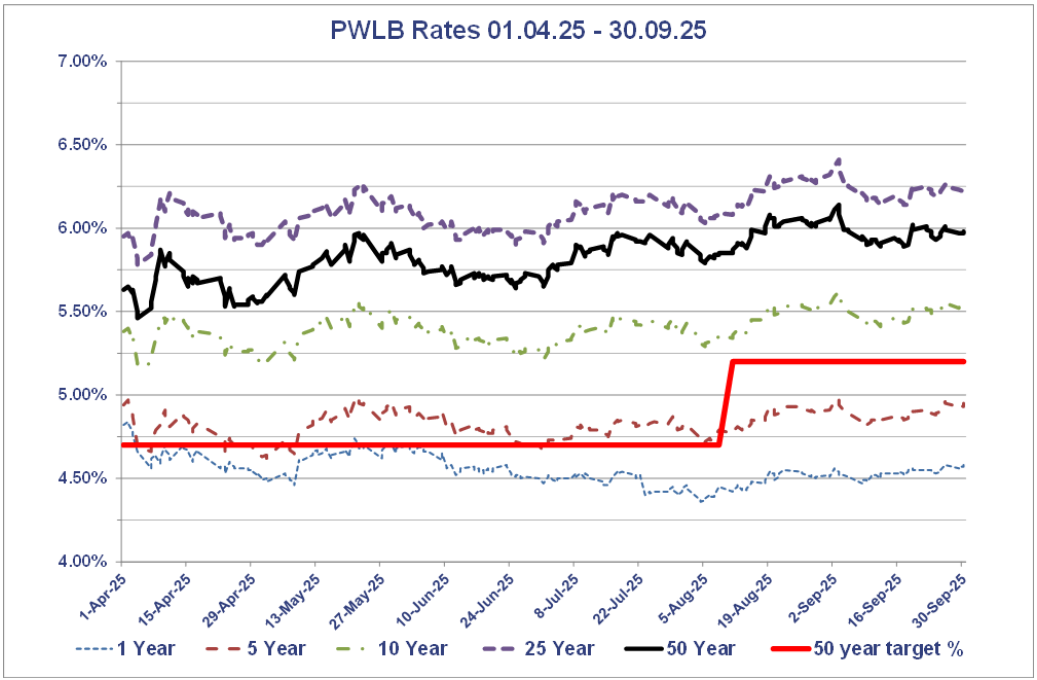
15.2 Due to the overall financial position and the underlying need to borrow for capital purposes (the CFR), new external borrowing of £233m has been undertaken from the market on a temporary basis for periods of between 3 months and 5 years. No new long term borrowing has been taken at the mid-year point. The capital programme is being kept under regular review due to the effects of inflationary pressures, shortages of materials and labour. The borrowing strategy will, therefore, also be regularly reviewed and then revised, if necessary, to achieve optimum value and risk exposure in the long-term.

15.3 During the first 6 months of the year a total of £207m of debt has been repaid which was on a temporary basis, £151m of which related to loans outstanding at the end of 2024/25.

15.4 It is anticipated that further short term borrowing will be undertaken during this financial year.

15.5 The graph and tables below show the movement in PWLB certainty rates for the first six months of the year to date.

PWLB certainty rates 1 April 2025 to 30 September 2025



HIGH/LOW/AVERAGE PWLB RATES FOR 01.04.25 – 30.09.25

	1 Year	5 Year	10 Year	25 Year	50 Year
01/04/2025	4.82%	4.94%	5.38%	5.95%	5.63%
30/09/2025	4.58%	4.95%	5.53%	6.23%	5.98%
Low	4.36%	4.62%	5.17%	5.78%	5.46%
Low date	04/08/2025	02/05/2025	02/05/2025	04/04/2025	04/04/2025
High	4.84%	4.99%	5.62%	6.41%	6.14%
High date	02/04/2025	21/05/2025	03/09/2025	03/09/2025	03/09/2025
Average	4.55%	4.82%	5.40%	6.11%	5.83%
Spread	0.48%	0.37%	0.45%	0.63%	0.68%

- The current PWLB rates are set as margins over gilt yields as follows: -.
  - **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
  - **PWLB Certainty Rate (GF)** is gilt plus 80 basis points (G+80bps)
  - **PWLB Local Infrastructure Rate** is gilt plus 60 basis points (G+60bps)
  - **PWLB Certainty Rate (HRA)** is gilt plus 40bps (G+40bps)

- The **National Wealth Fund** will lend to local authorities that meet its scheme criteria at a rate currently set at gilt plus 40bps (G+40bps).

16. Debt Rescheduling

16.1 Debt rescheduling opportunities have increased over the course of the past six months and are considered if giving rise to long-term savings.

17. Options and Risk Assessment

17.1 Although the content and criteria stated in the Treasury Management Strategy are statutory requirements, there are some options available to the Council in how this is managed, in terms of the following:

- Investment Options – alternative investment products, counterparties, limits and durations.
- Prudential Indicators – alternative limits for certain indicators, i.e., debt maturity profile, interest rate exposure.
- Minimum Revenue Provision – alternative options for the revenue charge.

17.2 The options proposed are based on the Council investing surplus monies with low risk counterparties in line with the Council's low risk appetite. This provides the Council with adequate liquidity and security of funds before considering investment return.

17.3 The main risks surrounding the Council's Treasury operations, mitigated through the Treasury Management Strategy and Investment Policy, are as follows:

- Prudential Indicator limits are breached – set and approved locally and regularly monitored as part of ongoing Treasury Management activity.
- Investments lost due to the inability of a Bank or Building Society to repay the loan – key criteria as part of the Creditworthiness Policy which ensures investments are made with only high credit quality counterparties for set durations.
- Too cautious an approach to investments could result in lower investment income being achieved – Investment Policy provides flexibility to use other non-specific investment products if it is considered prudent.

18. Comments of the Monitoring Officer

18.1 The Executive Director of Corporate Resources (S151) has a duty to report on the Council's financial position under the Local Government Finance Act 1992.The report is for information and provides significant assurance of compliance with the statutory financial management framework, raising no immediate legal issues. In considering the report and recommendations, Cabinet acts within the delegated authority from Council. The Local Government Act

2003 sets out the statutory framework for local authority finance, including power to borrow and invest, credit arrangements and how capital receipts may be used. Ss. 15 and 21 of the Act require the Council to follow such guidance and codes of practice in relation to accounting and other financial functions as may be published from time to time by the Secretary of State. The management details set out in the report would appear to comply with the CIPFA Code of Practice on Treasury Management adopted by the Council and are consistent with its own Treasury Management Strategy and Policy. [IA]

19. Comments of the Executive Director of Corporate Resources (Section 151 Officer)

19.1 The Executive Director of Corporate Resources (S151 Officer) is the author of the report.

20. Comments of the Assistant Director Human Resources and Organisation Development and Compliance with the Equality Duty

20.1 The Assistant Director of OD and HR notes the mid-yea review of Treasury Management Strategy Statement and Annual Investment Strategy KH

21. Comments of Overview and Scrutiny

21.1 This report will be considered by the Overview and Scrutiny Management Committee at its meeting on the 12th December 2025. Any comments or recommendations agreed by the Committee will be submitted to Cabinet for consideration alongside the final report. Ref: Sc9057 [PT]

22. Comments of the Deputy Leader and Portfolio Holder for Finance and Transformation

22.1 The report confirms the Council's compliance with statutory guidance and continuation of the recent Treasury strategy with regard to minimising borrowing.

David Bell
Executive Director of Corporate Resources (S151 Officer)

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Officer Interests: None

Background documents: Borrowing and investment records
CIPFA Code of Practice on Treasury Management
Treasury Management Policy Statement (Council February 2025)
Capital Strategy and Capital Monitoring Reports 2025/26
Treasury Management – Mid-Year Review Report 2025/26

Implications Matrix

I have informed and sought advice from HR, Legal, Finance, Overview and Scrutiny and the Climate Change Advisor and any other key stakeholders i.e. Portfolio Holder, relevant Ward Members etc prior to submitting this report for official comments	Yes
I have considered whether this report requests a decision that is outside the Budget and Policy Framework approved by Council	Yes
Value for money considerations have been accounted for within the report	Yes
The report is approved by the relevant City Manager	Yes
I have included any procurement/commercial issues/implications within the report	n/a
I have considered the potential media interest in this report and liaised with the Media Team to ensure that they are briefed to respond to media interest.	Yes
I have included any equalities and diversity implications within the report and where necessary I have completed an Equalities	n/a

Impact Assessment and the outcomes are included within the report	
Any Health and Safety implications are included within the report	n/a
Any human rights implications are included within the report	n/a
I have included any community safety implications and paid regard to Section 17 of the Crime and Disorder Act within the report	n/a
I have liaised with the Climate Change Advisor and any environmental and climate change issues/sustainability implications are included within the report	n/a
I have included information about how this report contributes to the City Plan/ Area priorities within the report	n/a

Prudential Indicators 2025/26 — Appendix 1

As at 30th September 2025

1.1 Affordability of Capital Plans

(a) Indicator 1 – Capital Expenditure

"The local authority will make reasonable estimates of the total capital expenditure that it plans to incur during the forthcoming financial year and at least the following two financial years. These prudential indicators will be referred to as estimates of capital expenditure and shall be expressed in the following manner:

Estimate of total capital expenditure to be incurred in years 1, 2 and 3 (and 4 etc if applicable)" (paragraph 47 of the code)

This details the Council's capital spending plans over the next 3 years and reports on the outturn from the previous financial year. These estimates are reporting decisions agreed previously in the Capital Programme report; there is no subjectivity to this indicator. These estimates are also in line with the Capital Programme Monitoring report considered by Cabinet on 15th December 2025.

	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£'m
	Actual	Estimate	Estimate	Estimate

General Fund	107.291	133.346	141.488	109.782
PFI/Finance Leases	44.941	-	-	-
HRA	72.847	95.743	138.913	126.445
Total	225.079	229.089	280.401	236.227

(b) Indicator 2 – Ratio of Financing Costs to Net Revenue Stream

"The local authority will estimate for the forthcoming financial year and the flowing two financial years the ratio of financing costs to net revenue stream. This prudential indicator shall be referred to as estimates of the ratio of financing costs to net revenue stream and shall be expressed in the following manner:

Estimates of financing costs / estimate of net revenue stream * 100 %

For years 1, 2 and 3"(paragraph 38 of the code)

Shows the revenue costs (the capital financing costs less investment income earned) associated with funding previous and future capital spending, as a percentage of total revenue spending. Again, as in the previous indicator the estimates that populate this table have been agreed by Committee, either through the Revenue Budget setting report or in the Medium Term Financial Strategy (MTFS) and are not subjective.

	2024/25	**2025/26**	**2026/27**	**2027/28**
	%	%	%	%
	Actual	Estimate	Estimate	Estimate
General Fund	4.8	4.8	6.7	5.1
HRA	34.9	33.9	34.4	35.7

(c) Indicator 3 – Capital Financing Requirement

"The local authority will make reasonable estimates of the total of the capital financing requirement at the end of the forthcoming financial year and the following two years. These prudential indicators will be referred to as the estimates of capital financing requirement and shall be expressed as follows:

Estimate of capital financing requirements as at the end of years 1, 2 and 3" (paragraph 50 of the code)

The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose i.e. that element of previous and proposed capital spending which has been / will be funded from borrowing. In order to ensure borrowing is maintained within sustainable limits, the Prudential Code requires that net external borrowing does not exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two

financial years. The Executive Director of Corporate Resources can confirm that this requirement will be met.

	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m
	Actual	Estimate	Estimate	Estimate
General Fund	837.187	888.115	948.697	990.661
HRA	211.336	256.033	344.443	405.750
Total	1,048.523	1,144.148	1,293.140	1,396.411
Borrowing	989.391	1,088.709	1,253.916	1,378.462

At the end of 2025/26 long term borrowing is forecast to be £56m below the capital financing requirement which is acceptable.

(d) Indicator 4 – Incremental impact of Capital Investment Decisions on Council Tax and Housing Rents

“The local authority will

(i) forecast the total budgetary requirements for the authority based on no changes to the capital programme

(ii) forecast the total budgetary requirements for the authority with the changes proposed to the capital programme included in the calculation

(iii) take the difference between (i) and (ii) and calculate the addition or reduction to the council tax that would result.

This calculation shall be undertaken for the forthcoming year and the following two financial years or longer timeframe if required to capture the full effect of capital investment decision. This prudential indicator will be referred to as estimates of the impact of the new capital investment decisions on the Council Tax and shall be expressed in the following manner:

£xx.xx (Paragraph 39 of the code)

The rules are the same for the Housing revenue account but show the effect on weekly rents.

The indicator seeks to demonstrate the additional costs, to be funded from the Council Tax and Housing Rents, of the Council’s capital spending plans.

These estimates are in line with the Capital Programme Monitoring report considered by Cabinet on 15th December 2025.

	2024/25	2025/26	2026/27	2027/28
	£	£	£	£
	Actual	Estimate	Estimate	Estimate
General Fund (Council Tax)	2.45	6.53	8.90	7.47

HRA (average weekly rent)	0.44	2.50	4.36	10.12

1.2 Treasury Management

(a) Indicator 5 – Authorised Limit for External Debt

"The local authority will set for the forthcoming financial year and the following two financial years an authorised limit for its total external debt, gross of investments, separately identifying borrowing from other long term liabilities. This prudential indicator will be referred to as the authorised limit and shall be expressed in the following manner:

Authorised limit for external debt = authorised limit for borrowing + authorised limit for other long term liabilities

For years 1, 2 and 3." (Paragraph 54 of the code)

With regard to external debt the Council is required to identify limits consistent with the Revenue Budget and Capital Programme. The Authorised Limit is based on a prudent, but not worse case scenario, with additional headroom to allow for unusual cash movements. The authorised limit will be the statutory limit determined under Section 3 (1) of the Local Government Act 2003.

The indicator is calculated by taking the results from indicator six, Operational boundary for external debt, plus the amount of capital spend forecast to be financed from grants and capital receipts. This would cover the unlikely event of contractually committed spend not being financed from grants or capital receipts as planned and having to be financed from borrowing.

	2024/25	**2025/26**	**2026/27**	**2027/28**
	£m	£m	£m	£m
	Actual	Estimate	Estimate	Estimate
Operational debt indicator (indicator 6)	1,009.723	1,131.369	1,301.834	1,428.668
Possible additional capital spend financed from borrowing (grants/capital receipts not received)	88.275	91.857	78.099	73.381
Total Amount	1,097.998	1,223.226	1,379.933	1,502.049
Rounded for indicator	1,098.000	1,223.000	1,380.000	1,502.000

Actual external debt stands at £1,052m which is well within the Authorised Limit for 2025/26.

(b) Indicator 6 – Operational Boundary for External Debt

"The local authority will also set for the forthcoming financial year and the following two financial years an operational boundary for its total external debt, gross of investments, separately identifying borrowing from other long

term liabilities. This prudential indicator will be referred to as the operational boundary and shall be expressed in the following manner:

Operational boundary for external debt = operational boundary for borrowing + operational boundary for other long term liabilities.

For years 1, 2 and 3." (Paragraph 55 of the code)

The Operational Boundary for external debt is based on the same estimates which underpin the Authorised Limit but does not include the additional headroom included within the Authorised Limit. The Operational Boundary provides an important tool for in year monitoring.

The code goes on to say "It will probably not be significant if the operational boundary is breached temporarily on occasions due to variations in cashflow. However, a sustained or regular trend above the operational boundary would be significant and should lead to further investigation and action as appropriate."

The Operational Limit for external debt has been calculated as the current amount of debt, plus additional borrowing, plus ten per cent of the year's net revenue budget for cash flow purposes in the event of expenditure being higher than income at points during the year.

	2024/25	**2025/26**	**2026/27**	**2027/28**
	£m	£m	£m	£m
	Actual	Estimate	Estimate	Estimate
Debt	773.758	773.758	875.556	1,042.437
Other Liabilities	215.623	213.153	211.479	209.753
10% Net budget requirement	-	42.660	47.918	50.206
Additional Borrowing	-	101.798	166.881	126.272
Calculated Operational Limit	989.381	1,131.369	1,301.834	1,428.668
Rounded for indicator	989.000	1,131.000	1,302.000	1,429.000

Actual external debt stands at £1,052m which is well within the Operational Limit for 2025/26.

(c) Indicator 7 – Fixed and Variable Rate Exposure

"The local authority will set for the forthcoming financial year the following two financial year's upper limits to its exposure to the effects of changes in interest rates. These prudential indicators will relate to both fixed interest rates and variable interest rates and be referred to respectively as the upper limits on fixed interest rates and variable interest rate exposures.

The upper limits on fixed interest rates and variable interest rates exposures may be expressed either as absolute amounts or as percentages. They may be related either to the authority's net interest on, or to its net principal sum outstanding on, its borrowings / investments." (Paragraph 67 and 68)

The indicator seeks to ensure that the Council limits its exposure to the risk of interest rate changes and the consequent impact on the investment income and interest payments on loans, by restricting the proportion of variable rate borrowing.

	2025/26 Estimate	2025/26 Actual to Sep	2026/27 Estimate	2027/28 Estimate
	%	%	%	%
Fixed Rate – Upper Limit	100	99.40	100	100
Fixed Rate – Lower Limit	25		25	25
Variable Rate – Upper Limit	75	0.60	75	75
Variable Rate – Lower Limit	0		0	0

(d) Indicator 8 – Upper and Lower Limits for the maturity structure of borrowings

"The local authority will set for the forthcoming financial year both upper and lower limits with respect to the maturity structure of its borrowings. The prudential indicators will be referred to as the upper and lower limits respectively for the maturity structure of borrowing and shall be calculated as follows:

Amount of projected borrowing maturing in each period expressed as a percentage of total projected borrowing.

Where the periods in question are

- Under 12 months
- 12 months and within 24 months
- 24 months and within 5 years
- 5 years and within 10 years
- 10 years and above"

(paragraph 74 of the code)

The indicator also seeks to ensure the Council controls its exposure to the risk of interest rate changes by limiting the proportion of debt maturing in any single period. Ordinarily debt is replaced on maturity and therefore it is important that the Council is not forced to replace a large proportion of loans at a time of relatively high interest rates.

	Actual as at 30/09/25	Upper Limit	Lower Limit
	%	%	%

Under 12 Months	31.83	35	0
12 months and within 24 months	3.04	30	0
24 months and within 5 years	12.26	50	0
5 years and within 10 years	5.00	75	0
10 years and above	47.87	90	0

(e) Indicator 9 – Upper limit for maturity structure of investments

"Where a local authority invests, or plans to invest, for periods longer than 364 days, the local authority will set an upper limit for each forward financial year period for the maturing of such investments. These prudential indicators will be referred to as prudential limits for principal sums invested for periods longer than 364 days and shall be calculated as follows:

Total principal invested to final maturities beyond the period end."

(paragraph 77 of the code)

Under the Prudential Regime Councils are free to invest for periods of greater than 1 year. This indicator sets restrictions on the proportion of investments committed for longer periods in order to limit the risks associated with being unable to meet unexpected cash flows and/or being able to take advantage of future increases in interest rates.

	Actual as at 30/09/25	Upper Limit
	%	%
Under 12 Months	100	100
12 months and within 24 months	-	25
24 months and within 3 years	-	20
3 years and within 4 years	-	15
4 years and within 5 years	-	10
5 years and above	-	10

Appendix 2

Annual Investment Strategy 2025/26

1. Investment Policy

1.1 The Council's investment policy has regard to the CLG's Guidance on Local Government Investments (the Guidance) and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes (the CIPFA TM Code). The Council's investment priorities will be security first, liquidity second, then return (yield).

1.2 In accordance with guidance from CLG and CIPFA, and in order to minimise the risk to investments, the Council has below clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list fully accounts for the ratings, watches and outlooks published by all three ratings agencies with a full understanding of what these reflect in the eyes of each agency. Using the Capita ratings service potential counterparty ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.

1.3 Furthermore, the Council's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings. This is fully integrated into the credit methodology provided by the advisors, Link Asset Services in producing its colour codings which show the varying degrees of suggested creditworthiness.

1.4 Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

1.5 The aim of the strategy is to generate a list of highly creditworthy counterparties which will also enable diversification and thus avoidance of concentration risk.

1.6 The intention of the strategy is to provide security of investment and minimisation of risk.

1.7 The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of the following:

- The strategy guidelines for choosing and placing investments;

- The principles to be used to determine the maximum periods for which funds can be committed;

- Specified investments that the Council will use. These are high security (i.e. high credit rating, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.

1.8 The investment instruments identified for use in the financial year 2022/23 are set out at Appendix 2 under the 'Specified' and 'Non-Specified' Investments categories. Organisations to which the Council will lend and associated counterparty limits are detailed at Appendix 3.

Creditworthiness Policy

1.9 The Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moodys and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- Credit watches and credit outlooks from credit rating agencies;
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings
- Sovereign ratings to select counterparties from only the most creditworthy countries.

1.10 This modelling approach combines credit ratings, and any assigned Watches and Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads. The end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the duration for investments. The Council will therefore use counterparties within the following durational bands:

- Blue - 1 year (only applies to nationalised or semi-nationalised UK banks)
- Orange - 1 year
- Red - 6 months
- Green - 100 days
- No colour - not to be used

1.11 Link Asset Services creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings. The Council is satisfied with the level of security this provides for its investments. It is also a service which the Council would not be able to replicate using in house resources.

1.12 Typically the minimum credit ratings criteria the Council use will be a short term rating (Fitch or equivalents) of short term rating F1, long term rating A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these

instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

1.13 All credit ratings will be monitored on a weekly basis. The Council is alerted to changes to ratings of all three agencies through its use of the Capita creditworthiness service.

- If a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

- In addition to the use of credit ratings the Council will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link Asset Services. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

1.14 Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, as well as information on any external support for banks to help support its decision making process.

1.15 If financial institutions are upgraded in rating and therefore meet the Council's criteria as defined, then committee approval will be sought prior to inclusion on the counterparty list.

Country Limits

1.16 The Council has determined that it will only use approved counterparties from the UK only.

Investment Counterparty Selection Criteria

1.17 The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle the Council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the Specified and Non-Specified investment sections below; and

- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

1.18 The Executive Director of Corporate Resources (S151) will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria

are separate to that which determines which types of investment instrument are either Specified or Non-Specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

1.19 Credit rating information is supplied by Link Asset Services, the Council's treasury consultants, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating watch applying to a counterparty at the minimum Council criteria will be considered for suspension from use, with all others being reviewed in light of market conditions.

1.20 On occasions ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest.

1.21 The criteria for providing a pool of high quality investment counterparties (both specified and non-specified investments) is as follows:

- Banks 1 – a good credit quality – the Council will only use banks/building societies which are UK banks only and have, as a minimum, the following Fitch credit ratings:
- Banks 1 – a good credit quality – the Council will only use banks which hold a minimum rating of:
    - Short term – F1
    - Long term – A-

- Banks 2 – part nationalised UK bank – Royal Bank of Scotland. This bank can be included if it continues to be part nationalised or it meets the rating in Banks 1 above.

- Banks 3 – The Council's own banker (Natwest Bank) for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time invested.

- Bank subsidiary and treasury operation – The Council will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.
- Building societies – The Council will use all societies which meet the ratings for banks as outlined above.

- Money Market Funds – AAA rating.

- Enhanced Money Market Funds – AAA rating.

- UK Government (DMADF)

- Local authorities.

Group Considerations

1.22 Due care will be taken will be taken to consider the group exposure of the Council's investments. In addition, limits in place above will apply to a group of companies.

Use of Additional Information other than Credit Ratings

1.23 Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

Time and Monetary Limits Applying to Investments

1.24 The time and monetary limits for institutions on the Council's counterparty list are as follows (these will cover specified and non-specified investments):

	Fitch Long Term Rating (minimum)	***Fitch Short Term Rating (minimum)***	***Money Limit***	***Time Limit***
Banks 1 category high quality	AA-	F1+	£30 million	1 yr
Banks 1 category medium quality	A	F1	£20 million	1 yr
Banks 1 category lower quality	A-	F1	£10 million	1 yr
Banks 2 category – part nationalised – high quality	AA-	F1+	£40 million	1 yr
Banks 2 category – part nationalised – medium quality	A	F1	£25 million	1 yr

Banks 2 category – part nationalised – low quality	A-	F1	£15 million	1 yr
Limit 3 category – Council's banker (not meeting Banks 1)	N/A	N/A	£5 million	1 day
UK Government (DMADF)	N/A	N/A	Unlimited	6 mths
Local authorities	N/A	N/A	£15 million	1 yr
Money Market Funds	AAA		£15 million	liquid

1.25 The proposed criteria for Specified and Non-Specified investments are shown in Appendix 3 for approval.

Appendix 3

Credit and Counterparty Risk Management – Specified and Non-Specified Investments and Limits (Treasury Management Practice (TMP1))

1. Specified and Non-Specified Investments

1.1 Specified investments are investments denominated in sterling, do not exceed 364 days in term, do not involve the acquisition of share or loan capital, are made with the UK Government or a local authority, or with a body or investment scheme meeting the minimum 'high' credit quality criteria where applicable. Non-specified investments are anything that does not satisfy the specified investment criteria, i.e. investments with a maturity of greater than 1 year.

1.2 Importantly the acquisition of share capital or loan capital in any body corporate is defined as capital expenditure under Section 16(2) of the Local Government Act 2003. Such investments will have to be funded out of capital or revenue resources and will be classified as 'non-specified investments'. As a result no such investment instruments, such as equities, are included within this Appendix.

Specified Investments

	Minimum 'High' Credit Criteria	Use
Term deposits – banks	Short-term F1, Long-term A-	In-house
Term deposits – building societies	Short-term F1, Long-term A-	In-house
Term deposits – local authorities	--	In-house
Term deposits – UK part nationalised banks	Short-term F1, Long-term A-	In-house
UK Government support to the banking sector	UK Sovereign Rating	In-house
Debt Management Agency Deposit Facility (DMADF)– UK Government	UK Sovereign Rating	In-house
Money Market Funds	AAA	In-house

1.3 Accounting treatment of investments – the accounting treatment may differ from the underlying cash transactions arising from investment decisions made by the Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, Treasury Officers in consultation with Sector will review the accounting implications of any new transactions before they are undertaken.

Non-specified Investments

Maturities of ANY period (not applicable for 2025/26 Investment Strategy)

	Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period
Term deposits with unrated counterparties	Market Capitalisation above £500m	In-house	Nil - no longer applicable	Nil – no longer applicable

Maturities in excess of 1 year (not applicable for 2025/26 Investment Strategy)

	Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period
Term deposits – banks	Short-term F1, Long-term A+	In-house	Nil - no longer applicable	Nil - no longer applicable
Term deposits – local authorities	--	In-house	Nil - no longer applicable	Nil - no longer applicable

Appendix 4

Approved Organisations for on-lending Of Surplus Funds

Note – the organisations listed below currently meet the specified criteria as per the Investment Policy of the above report.

UK Banks (Maximum Investment Period of up to 1 year)

	Approved Investment Limit (max)	Proposed Investment Limit (max)	Current Investment Limit **	Investment (*as at 30/9/25)*
Santander UK plc	£30m	£30m	£20m	-
Barclays Bank plc	£30m	£30m	£20m	-
Standard Chartered	£30m	£30m	£20m	
Clydesdale Bank (trading as Yorkshire Bank)	£30m	£30m	Nil	-
HSBC Bank plc	£30m	£30m	£30m	-
Lloyds Banking Group inc: *	£40m	£40m	£25m	

Lloyds TSB Bank plc Bank of Scotland plc				- -
Royal Bank of Scotland Group inc: * Royal Bank of Scotland NatWest Bank plc Ulster Bank Ltd (not used)	£40m	£40m	£25m	 - £0.9m -

Note * - The increased limits are based on Lloyds and RBS being part-nationalised therefore carrying additional UK Government security.

Note **: The current investment limits above reflect the action taken as per the creditworthiness criteria included in the Investment Policy stated at paragraph 1.24 of Appendix 2 in the above report.

UK Building Societies (Maximum Investment Period of up to 1 year)

	Approved Investment Limit (max)	Proposed Investment Limit (max)	Current Investment Limit **	Investment (a*t 30/9/25)*
Coventry Building Society	£30m	£30m	£10m	-
Nationwide Building Society	£30m	£30m	£20m	-
Leeds Building Society	£30m	£30m	£10m	-
Skipton Building Society	£30m	£30m	£10m	-
Yorkshire Building Society	£30m	£30m	£10m	-

Other (Maximum Investment Period of up to 1 year)

	Approved Investment Limit	Proposed Investment Limit	Current Investment Limit	Investment (*at 30/9/24)*
Any Local Authority	£15m (each)	£15m (each)	£15m (each)	-
Debt Management Agency Deposit Facility (DMADF) ***	Unlimited	Unlimited	Unlimited	£8.0m
Money Market Funds	£15m (each)	£15m (each)	£15m (each)	£35.2m

Note *** - The unlimited investment limit for the DMADF is based on the current uncertainties within the banking sector, and if further bank failures occur, this account would provide for the security of the Council's cash surpluses.

Appendix 5

GLOSSARY OF TERMS

Base Rate	Minimum lending rate of a bank or financial institution in the UK determined by the Bank of England.
Basis Point	1/100th of 1%, i.e. 0.01%.
Call Account	Deposits/investments placed with a bank or other financial institutions which are available immediately, i.e. no advance notice is required.
Capital Expenditure	Expenditure on the acquisition of fixed assets which has a long term value to the Council (e.g. the purchase of land, erection of buildings), or expenditure that adds to the value of these assets and not just maintains their existing value.
Capital Financing Requirement (CFR)	The total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. This is the cumulative total of the Council's borrowing need.
Capital Grants	Monies provided to local authorities, usually from Government departments, for capital expenditure only.

Capital Receipts	These are proceeds from the sale of capital assets such as land or property. These receipts can be used to fund the capital programme but are not available to support the Revenue Budget.
Counterparty	Another (or the other) party to an agreement or other market contract (e.g. lender or borrower). In the Council's case this generally relates to a bank or building society.
Credit Default Swap	This provides protection (insurance) to a financial institution following a loan or investment against any potential default, i.e. protection against non-repayment of loan or investment.
Credit Outlook	A formal indication by a credit rating agency that it anticipates a change in a particular credit rating of a bank or other financial institution at some time in the foreseeable future.
Credit Rating	An assessment of the creditworthiness of a bank or other financial institution, made by a credit rating agency, i.e. Fitch, Moody's and Standard & Poor's.
Credit Rating Agency	Independent organisations that assess the credit quality of corporate and government debt. The main agencies are Moody's, Standard & Poor's and Fitch.
Credit Watch	Attached to a bank or other financial institution in which a downgrading or upgrading of the credit rating could be imminent.
Creditworthiness	A measure of the ability and the willingness of a bank or other financial institution to honour their financial obligations.
Debt Cap	A limit set on the council housing borrowing requirement for each local authority.
Debt Rescheduling	Refinancing of current debt/loans to generate revenue savings if rates are favourable.
Investment Instrument	Investment options available to local authorities, i.e. fixed term deposits, notice accounts.
Liquidity	The ability to convert an asset (investment) easily into cash quickly without affecting the asset's price or value.
Maturity	The end date of a loan, borrowing, investment or other form of capital financing.
Minimum Revenue Provision (MRP)	Local authorities are required each year to set aside some of their revenues as provision for debt repayment. The provision (revenue charge) is in respect of capital expenditure financed by borrowing.
Money Market	Consists of financial institutions (e.g. banks and building societies) and dealers in money and credit.

Money Market Fund	A well rated, highly diversified pooled investment vehicle whose assets mainly comprise of short term instruments.
Non-Specified Investments	Anything that does not satisfy the specific investment criteria, i.e. investments with a term of greater than 1 year.
Notice Account	Deposits/investments placed with a bank or other financial institutions which are available at notice, i.e. 15/30 day notice to withdraw is required.
PFI	Private Finance Initiative – a Government initiative in which private sector companies usually design, build and operate a public facility for a set period of time, often 25 years.
Prudential and Treasury Indicators *(see below for description of each indicator)*	As required by The Prudential Code, requires local authorities to self regulate the affordability, prudence and sustainability of their capital plans, buy setting estimates and limits, and publishing actuals, for a range of indicators.
Prudential Borrowing	Permissible borrowing within defined affordable limits.
Prudential Code (CIPFA)	Local Authorities determine their own programmes of capital investment in fixed assets that are central to the delivery of quality local public services. The Prudential Code has been developed as a professional code of practice to support them in taking these decisions. The Prudential Code underpins the overall system of capital finance. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable.
PWLB	Public Works Loans Board – a statutory body operating within the Debt Management Office of the HM Treasury and is responsible for lending money to local authorities and other prescribed bodies.
Risk Appetite	The level of risk Local Authorities wish to take in the lending of surplus monies. The Council operates a low risk appetite, i.e. only investing with low risk counterparties, where the security and liquidity of cash are more important than yield (return).
Specified Investments	Investments that are made in sterling, do not exceed 364 days in term, do not involve the acquisition of share or loan capital, are made with the UK Government or a local authority, or with a financial institution and meet the minimum credit criteria.
Treasury Management Code of Practice (CIPFA)	Provides Local Authorities with standards and guidance to support and underpin their overall Treasury Management activities.
Yield (Return)	The return on an investor's capital investment. The higher the yield the higher the risk of the capital invested.

Prudential and Treasury Indicators

Affordability of Capital Plans:	
Indicator 1 – Capital Expenditure	This details the Council's approved capital spending plans for the next 3 years and reports on the outturn from the previous financial year. These estimates are reporting decisions agreed previously in the Capital Programme report, and therefore there is no subjectivity to this indicator.
Indicator 2 - Ratio of Financing Costs to Net Review Stream	This shows the revenue costs (the capital financing costs less investment income earned) as a percentage of the total revenue budget. There is a separate calculation for the General Fund and the HRA. Again, these estimates have been agreed by Committee through the Revenue Budget setting report or in the Medium Term Financial Strategy.
Indicator 3 – Capital Financing Requirement (CFR)	The CFR measures the Council's overall borrowing requirement for capital purposes, i.e. that element of previous and proposed capital spending which has been/will be funded from borrowing. The Prudential Code requires that net external borrowing does not exceed the CFR.
Indicator 4 – Incremental Impact of Capital Investment Decisions on Council Tax and Housing Rents	This indicator seeks to demonstrate the additional costs, to be funded from the Council Tax and Housing Rent of the Council's capital spending plans, i.e. the capital plans to be funded from borrowing. These estimates are in line with the General Fund and HRA Revenue Budget setting reports.
Treasury Management	
Indicator 5 – Authorised Limit for External Debt	The Council is required to set external borrowing limits consistent with the Revenue Budget and Capital Programme. The Authorised Limit is based on a prudent limit, with additional headroom to allow for unusual cash movements.
Indicator 6 – Operational Boundary for External Debt	The Operational Boundary is based on the same estimates as the Authorised Limit but does not include any additional headroom. The Operational Boundary is the current debt plus additional planned borrowing, plus 10% of next years revenue budget for cash flow purposes.
Indicator 7 – Fixed and Variable Interest Rate Exposure	This indicator seeks to ensure that the Council limits its exposure to the risk of interest rate changes and the subsequent impact of such changes on the interest payments on loans (a revenue expense), by restricting the proportion of variable rate borrowing.
Indicator 8 – Upper and Lower Limits for the maturity structure of borrowings	This indicator also seeks to ensure the Council controls its exposure to the risk of interest rate changes by limiting the proportion of debt due to be repaid in any one year. Debt is ordinarily replaced on maturity and therefore it is important that the Council is not forced to replace a large proportion of loans at a time of relatively high interest rates (aimed at mitigating any potential impact on the revenue budget).
Indicator 9 – Upper Limit for the maturity	Under the Prudential Code councils are free to invest for periods of greater than 1 year. This indicator sets restrictions

structure of Investments	on the proportion of investments committed for longer periods in order to limit the risks associated with being unable to meet unexpected cash flows and/or being able to take advantage of future increases in interest rates.