



First Financial Review 2025/26

Results to end of June 2025

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Section 1: Debt

- 1.1 Sundry debt includes all invoiced income due to the Council except for statutory taxes (Council Tax and Non-Domestic Rates). The balance of outstanding debt on 30 June 2025 was £20.9m.
- 1.2 Annually, the Council raises invoices with a total value of over £96m. Around 40% of the Council's overall sundry debt portfolio relates to charges for Adult Social Care, the remainder being spread across a range of functions including Highways, Property Services, Licensing and Building Control.
- 1.3 The Revenue Recovery team (using their experience gained in collecting Council Tax and Non-Domestic Rates) engage with services to offer advice and assistance in all aspects of debt management, including facilitating access to debt collection services (currently provided by Bristow & Sutor).
- 1.4 The total amount of service debt over six months old is £12.0m; split as £10.7m of Adult Social Care debt and £1.3m of Sundry Debt. A provision of £6.1m was made at year ended 31 March 2025 to cover doubtful debt in the event that it needs to be written off.
- 1.5 The level of Adult Social Care debt can fluctuate depending on when in the month the snapshot is taken, for example if it is before or after the Direct Debit income is received and allocated. The debt also has different levels of risk depending on the type of debt. For example, around £3m is linked to deferred arrangements which is debt that is secured on property or assets and therefore carries a low risk. There is also around £5m of debt which is deemed to be lower risk as its linked to areas such as probate, property sales or deputyship. The main categories of ASC debt have distinct provision calculations appropriate for the level of risk involved.
- 1.6 The Highways position for outstanding debt is consistent throughout the year. The debt is generally made up of three elements: the movement of funds from Cheshire West and Chester Council and Warrington Borough Council in relation to the Cheshire Road Safety Group (these are settled quickly); third party claims for damage to the highway; and permit fees. The third party claims are often paid in instalments.

The previous outturn positions are:

- 31 March 2025 Outstanding debt £1.5m, over 6 months old £0.6m.
 - 31 March 2024 Outstanding debt £1.6m, over 6 months old £0.7m
- 1.7 Work is planned in 2025/26 to review the provision for Sundry Council debt and to establish new working practices where necessary.
 - 1.8 The Council has robust processes in place to ensure that all outstanding debt is chased up (where commercially viable) and, where necessary, payment plans are put in place with advice from Legal Services.

Table 1 – Debt Summary as at 30 June 2025

FR1 June 2025/26	Outstanding Debt £m			Over 6 months old £m		
	OUTTURN	FR1	Increase / (Decrease)	OUTTURN	FR1	Increase / (Decrease)
Adults and Health Committee						
Adults, Public Health and Communities	15.219	16.332	1.113	10.556	10.749	0.193
Children and Families Committee						
Children's Social Care (Incl. Directorate)	0.247	0.401	0.155	0.001	(0.000)	(0.001)
Prevention and Early Help	0.070	0.074	0.004	(0.008)	(0.000)	0.007
Schools	0.004	0.004	0.001	0.001	0.000	(0.001)
Highways and Transport Committee						
Highways and Infrastructure	1.499	1.986	0.487	0.626	0.619	(0.007)
Economy and Growth Committee						
Growth and Enterprise	0.666	1.427	0.761	0.375	0.376	0.001
Environment and Communities Committee						
Environment and Neighbourhood Services	0.293	0.454	0.161	0.243	0.174	(0.069)
Corporate Policy Committee						
Finance and Customer Services	0.175	0.106	(0.070)	0.086	0.080	(0.007)
Governance and Compliance	0.002	0.024	0.022	0.000	0.000	(0.000)
HR & Customer Experience	0.089	0.003	(0.086)	0.000	0.000	0.000
Digital	0.228	0.042	(0.185)	0.000	0.000	(0.000)
Total	18.491	20.854	2.363	11.881	11.998	0.117

Section 2: Council Tax and Business Rates

Council Tax

- 2.1 **Table 1** details each precepting authorities share of the budgeted collectable rates income.

Table 1 Share of Council Tax Collectable Rates	Band D Collectable Rates Charge	£m
Cheshire East Council	1,882.04	307.263
Town and Parish Councils	78.54	12.822
Cheshire Police and Crime Commissioner	276.94	45.213
Cheshire Fire Authority	95.09	15.524
Total	2,332.61	380.824

- 2.2 The collectable rates valuation is based on the assumption that of the total amount billed, at least 99% will be collected. **Table 2** demonstrates that the target to collect at least 99% of Council Tax within three years continues to be achieved.

Table 2 Council Tax Collection Rates	2021/22 %	2022/23 %	2023/24 %	2024/25 %	2025/26 %
After 1 year	97.8	98.2	98.0	97.8	28.3*
After 2 years	98.5	98.8	98.7	**	**
After 3 years	99.0	99.1	**	**	**

* 2025/26 rate is up to 30 June 2025.

** Data is not yet available.

- 2.3 The collectable rates valuation may also vary during the year due to changes to Council Tax Support payments, the granting of discounts and exemptions, and changes to numbers and value of properties. **Table 3** shows the collectable rates position as forecast at 30 June 2025.

Table 3 Council Tax Net Rates Payable – June 2025	Collectable Rates £m
Total Rates Billed	446.258
Council Tax Support Scheme	-19.648
Discounts, Exemptions & Reliefs	-41.013
Write-offs	-3.000
Total Net Rates Payable Forecast	382.597

- 2.4 After accounting adjustments, the Council Tax Collection Fund is forecasting a £0.3m surplus for 2025/26, of which, £0.2m is attributable to Cheshire East Council. This estimated surplus would be paid out in 2026/27 and be credited to the Collection Fund Earmarked Reserve.
- 2.5 The Council Tax Support scheme will be reviewed during 2026/27 with the possibility of implementing any changes in 2027/28.

Non-Domestic Rates (NDR)

- 2.6 Collectable rates are distributed between Cheshire East Council (49%), Cheshire Fire Authority (1%), and Central Government (50%).
- 2.7 Non-domestic Rates valuations for 2025/26 were set out in the NNDR1 return to Central Government in January 2025. Any variance to this forecast is included in the following years' NNDR1 return and any gain or loss will be recovered in 2026/27. The total Net Rates Payable into the Collection Fund was forecast at £160.9m.
- 2.8 **Table 4** demonstrates that the target to collect at least 99% of Non-Domestic Rates within three years continues to be achieved.

Table 4 Non-Domestic Rates Collection Rates	2021/22 %	2022/23 %	2023/24 %	2024/25 %	2025/26 %
After 1 year	95.6	98.2	97.7	97.9	29.6*
After 2 years	98.3	98.8	99.9	**	**
After 3 years	99.2	99.4	**	**	**

* 2025/26 rate is up to 30 June 2025.

** Data is not yet available.

- 2.9 **Table 5** shows the revised Non-Domestic Collectable Rates position as forecast at 30 June 2025.

Table 5 Non-Domestic Net Rates Payable – June 2025	Collectable Rates £m
Total Rates Billed	207.149
Small Business Relief	-17.634
Discounts, Exemptions & Reliefs	-26.978
Write-offs	-2.000
Total Net Rates Payable Forecast	160.537

- 2.10 After accounting adjustments, the Non-Domestic Rates Collection Fund is forecasting a £4.5m surplus for 2025/26, of which, £2.2m is attributable to Cheshire East Council. This estimated surplus would be paid out in 2026/27 and be credited to the Collection Fund Earmarked Reserve.

Section 3: Treasury Management

Background

- 3.1 Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Authority's prudent financial management.
- 3.2 Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.
- 3.3 Investments held for service purposes or for commercial profit are considered in the Investment Report (see [MTFS approved February 2025](#)).

External Context

- 3.4 **Economic background:** The quarter started to significant financial market volatility as US President Donald Trump announced a wide range of 'reciprocal' trade tariffs in early April, causing equity markets to decline sharply which was subsequently followed by bond markets as investors were increasingly concerned about US fiscal policy. As the UK was included in these increased tariffs, equity and bond markets here were similarly affected by the uncertainty and investor concerns.
- 3.5 President Trump subsequently implemented a 90-day pause on most of the tariffs previously announced, which has been generally positive for both equity and bond markets since, but heightened uncertainty and volatility remained a feature over the period.
- 3.6 Data released during the period showed the UK economy expanded by 0.7% in the first quarter of the calendar year, following three previous quarters of weaker growth. However, monthly GDP data showed a contraction of 0.3% in April, suggesting growth in the second quarter of the calendar year is unlikely to be as strong as the first.
- 3.7 Labour market data appeared to show a softening in employment conditions as weaker earnings growth was reported for the period February to April 2025, in what would no doubt be welcome news to Bank of England (BoE) policymakers. Regular earnings (excluding bonuses) was 5.2% 3mth/yoy while total earnings was 5.3%. Both the employment and unemployment rates increased, while the economic inactivity rate and number of vacancies fell.
- 3.8 Having started the financial year at 4.5%, the Bank of England's Monetary Policy Committee (MPC) cut Bank Rate to 4.25% in May. This dovish tilt by the Committee is expected to continue and financial market expectations are that the next cut will be in August, in line with the publication of the next quarterly Monetary Policy Report (MPR).

- 3.9 **Financial Markets:** After the sharp declines seen early in the quarter, sentiment in financial markets showed signs of improvement during the period, but bond and equity markets remained volatile. Early in the period bond yields fell, but then uncertainty from the impact of US trade policy caused bonds to sell-off but from the middle of May onwards, yields have steadily declined, but volatility continues. Equity markets sold off sharply in April but have seen gained back most of the previous declines, with investors seemingly remaining bullish in the face of ongoing uncertainty.
- 3.10 Over the quarter, the 10-year UK benchmark gilt yield started at 4.65% and ended at 4.49% having hit 4.82% early in April and falling to 4.45% by the end of the same month. The Sterling Overnight Rate (SONIA) averaged 4.31% over the quarter to 30th June.
- 3.11 **Credit Review:** Arlingclose, our treasury advisors, maintained its advised recommended maximum unsecured duration limit on most banks on its counterparty list at 6 months. Other banks remain on 100 days.
- 3.12 Credit default swap prices on UK banks spiked in early April following the US trade tariff announcements but have since generally trended downwards and ended the quarter at levels broadly in line with those in the first quarter of the calendar year and throughout most of 2024.
- 3.13 Financial market volatility is expected to remain a feature, at least in the near term and, credit default swap levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remain under constant review

Local Context

- 3.14 As at 30 June 2025 the Authority has borrowings of £387m and investments of £43m. This is set out in further detail at **Annex A**. Forecast changes in these sums are shown in the balance sheet analysis in **Table 1** below.

Table 1: Balance Sheet Summary and Forecast	31/03/2025 Actual £m	31/03/2026 Estimate £m	31/03/2027 Estimate £m	31/03/2028 Estimate £m
General Fund CFR	539.015	567.343	592.460	599.073
Less: Other long term liabilities *	(17.419)	(16.638)	(15.488)	(14.318)
Loans CFR	521.596	550.705	576.972	584.755
Less: External borrowing **	(396.073)	(162.889)	(133.264)	(118.641)
Internal (over) borrowing	125.523	387.816	443.708	466.114
Less: Usable reserves	(140.527)	(111.000)	(116.000)	(127.000)
Less: Working capital	(1.000)	(1.000)	(1.000)	(1.000)
(Treasury Investments) or New borrowing	(16.004)	275.816	326.708	338.114

*finance leases and PFI liabilities that form part of the Authority's debt

** shows only loans to which the Authority is committed and excludes optional refinancing

- 3.15 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.
- 3.16 CIPFA's Prudential Code for Capital Finance recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. **Table 1** shows that the Authority expects to comply with this recommendation during 2025/26.

Borrowing Strategy

- 3.17 The Authority currently holds loans of £370m, a decrease of £27m since 31 March 2025. However, this will increase to a higher level, currently forecast as £407m at 31 March 2026.
- 3.18 Borrowing is at a lower level than our Capital Financing Requirement (CFR) which means that internal resources (reserves, etc) are being used rather than external debt. However, increasing service demand and the unfunded special educational needs situation is utilising those internal resources resulting in increased borrowing.
- 3.19 Following the reductions in base rates, borrowing costs have begun to fall. The cost of borrowing is still higher than implied future rate cuts would suggest but this is driven by gilt yields and likely tightening of liquidity in the inter-LA market which has been witnessed in the last 2 years. The application for exceptional financial support has raised credit worthiness concerns with some lenders restricting the number of lenders available to the Council. The expectation is that borrowing costs will probably not start to fall until 2026/27 and beyond.
- 3.20 At the moment, cash shortfalls are generally being met by temporary borrowing from other Local Authorities which for a number of years has been considerably cheaper than other sources of borrowing and allowed the Council to keep financing costs low. The cost of these loans remains good value compared with longer term loans and interest forecasts suggest it is still the cheaper option in the long term. However, liquidity risk remains an issue as funds become more scarce towards year end. To reduce liquidity risk, consideration is being given to taking more shorter term (1-5 years) PWLB loans.
- 3.21 The cost of short-term borrowing for the first 3 months of 2025/26 is 4.93% which is a decrease from 5.29% for 2024/25. These costs are expected to reduce further as the outlook is for reducing interest rates.
- 3.22 **LOBO's:** The Authority holds £17m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. All of these LOBOS have options during 2025/26. It is unlikely that the lender will exercise their options but if this happens, the Authority is likely to take the option to repay LOBO loans at no cost.

Investment Strategy

- 3.23 The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. Due to the overriding need for short term borrowing, other than £20m invested strategically in managed funds, the investments are generally short term for liquidity purposes. The level at 30 June 2025 is £43m.

- 3.24 The CIPFA Code requires the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 3.25 The maximum amount that can be invested with any one organisation is set in the Treasury Management Strategy Report. The maximum amount and duration of investments with any institution depends on the organisations credit rating, the type of investment and for banks and building societies, the security of the investment. Generally credit rated banks and building societies have been set at a maximum value of £6m for unsecured investments and £12m for secured investments. Any limits also apply to the banking group that each bank belongs to. Limits for each Money Market fund have been set at a maximum value of £12m per fund. All potential counterparties are kept under continual review by our treasury advisors and advisory lower limits than those contained in the strategy are applied.
- 3.26 Treasury Management income to 30 June 2025 is £628,000 which is higher than the budgeted £432,000. Borrowing costs are also lower than budgeted at £4.5m compared to budget of £5.0m. From the projected cash flows for the remainder of 2025/26 the net difference in financing costs (borrowing less investment interest) is expected to be £2.0m less than that budgeted.
- The average daily investment balance including managed funds up to 30 June 2025 is £55.9m
 - The average annualised interest rate received on in-house investments up to 30 June 2025 is 4.37%
 - The average annualised interest rate received on the externally managed funds up to 30 June 2025 is 5.74%
- 3.27 The Authority's total average interest rate on all investments in 2025/26 is 5.16%. The return is higher than our own performance target of 4.85% (average Base Rate + 0.50%) due to the value added by the externally managed funds. However, we do compare favourably to the Sterling Over Night Interest Average (SONIA) rate.

Table 2 – Interest Rate Comparison

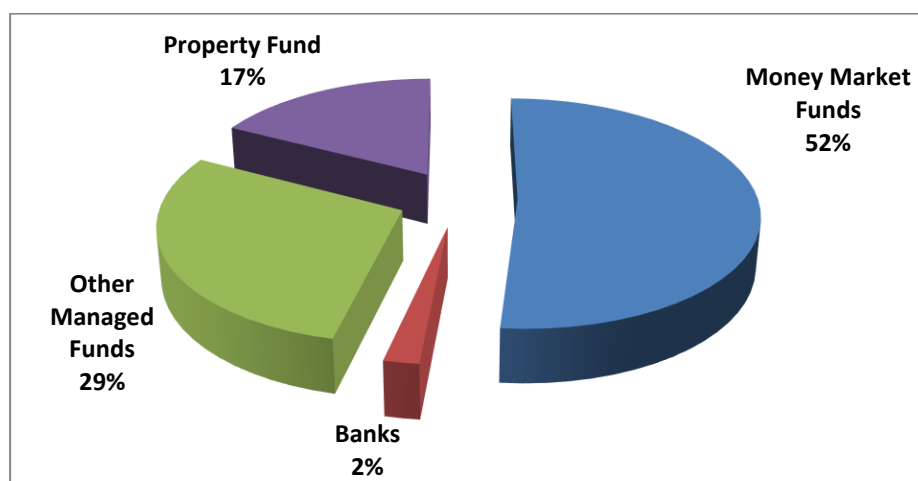
Comparator	Average Rate to 30/06/2025
Cheshire East	5.16%
SONIA	4.31%
Base Rate	4.35%
Target Rate	4.85%

- 3.28 As the Authority holds reserves and working capital, £20m of this has been placed in strategic investments in order to benefit from higher income returns whilst spreading risk across different asset classes.
- 3.29 The investments are in five different funds which are all designed to give an annual income return higher than cash investments but which have different underlying levels of volatility. By spreading investments across different types of fund, the intention is to dampen any large fluctuations in the underlying value of the investments.

Table 3 –Strategic Investments

Fund Manager	Asset Class	Invested £m	Current Value £m
CCLA	Property	7.500	7.375
Aegon	Multi Asset	5.000	4.734
Fidelity	Equity - Global	4.000	4.631
Schroders	Equity - UK	2.500	2.544
M & G	Bonds	1.000	0.856
TOTAL		20.000	20.140

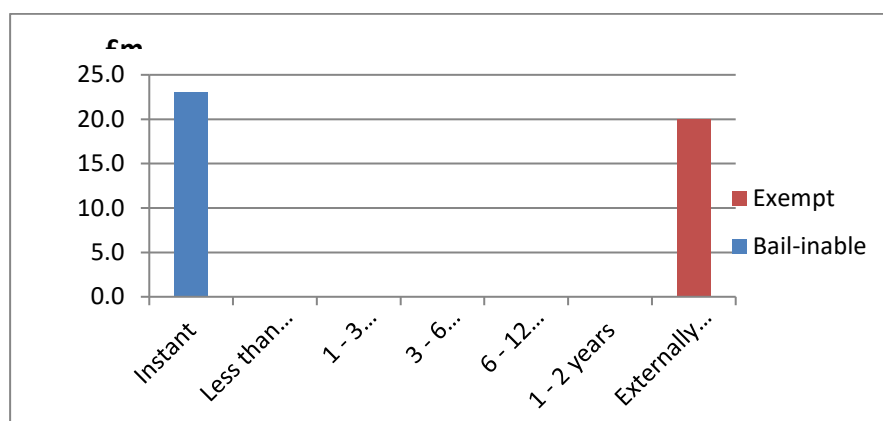
3.30 The value of these investments does vary. In previous years the fund values had been affected by high inflation, the effects of the war in Ukraine and low levels of GDP. However, the last 12 months have shown a gradual improvement, particularly to the equity funds. All funds continue to deliver good levels of income return.

Chart 1 – Current Investments by Counterparty Type**Table 4 – Types of Investments and Current Interest Rates**

Instant Access Accounts	Average Rate	£m
Money Market Funds	4.30%	22.160
Banks	4.04%	0.939
Externally Managed Funds		£m
Total – see table 3	5.74%	20.000

Summary of Current Investments		£m
TOTAL	4.89%	43.099

Chart 2 – Maturity Profile of Investments



Note: Bail-inable means that in the event of default the counterparty may be required to use part of the investments as their own capital in which case the Council would not get back as much as they invested. This would apply with most bank and Building Society investments.

Treasury Management Indicators

3.31 The Authority measures and manages its exposures to treasury management risks using the following indicators.

3.32 **Interest Rate Exposures:** This indicator is set to control the Authority's exposure to interest rate risk. The upper limit on the one-year revenue impact of a 1% rise in interest rates is:

Interest Rate Risk Indicator	Limit
Upper limit on one-year revenue impact of a 1% rise in interest rates	£2,786,000
Likely revenue impact in 2025/26 of a 1% rise in interest rates	£708,000

3.33 The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates. The Council is expected to remain a net borrower in 2025/26 so a fall in rates would lead to savings rather than incurring additional cost so a limit of £0 was set. Rates are now more likely to reduce than increase so full revenue impact of changing rates is likely to be beneficial.

3.34 **Maturity Structure of Borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. Lower limits have been set at 0%. The upper limits on the maturity structure of borrowing and the actual maturity profiles as at 30 June 2025 are:

Refinancing rate risk indicator	Upper Limit	Actual
Under 12 months	75%	64%
12 months and within 24 months	75%	5%

Refinancing rate risk indicator	Upper Limit	Actual
24 months and within 5 years	75%	8%
5 years and within 10 years	75%	11%
10 years and within 20 years	100%	4%
20 years and above	100%	8%

3.35 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment. The upper limit for loans maturing in under 12 months is relatively high as short term is cheaper than alternatives and allows for LOBO loans which have the potential to be repaid early. This will be kept under review as it does increase the risk of higher financing costs in the future.

3.36 **Principal Sums Invested for Periods Longer than 364 days:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

Price Risk Indicator	2025/26	2026/27	2027/28
Limit on principal invested beyond year end	£25m	£15m	£10m
Actual amounts committed beyond year end	£0m	£0m	£0m

Annex A: Existing Investment & Debt Portfolio Position

	30/06/2025 Actual Portfolio £m	30/06/2025 Average Rate %
External Borrowing:		
PWLB – Fixed Rate	194.877	4.74%
Local Authorities	148.000	4.94%
LOBO Loans	17.000	4.63%
Other	10.352	4.37%
Total External Borrowing	370.229	5.14%
Other Long Term Liabilities:		
PFI	17.419	-
Total Gross External Debt	387.648	-
Investments:		
<i>Managed in-house</i>		
Short-term investments:		
Instant Access	23.099	4.29%
<i>Managed externally</i>		
Property Fund	7.500	4.91%
Multi Asset Fund	5.000	6.46%
Equity - Global	4.000	6.35%
Equity - UK	2.500	6.47%
Bonds	1.000	4.17%
Total Investments	43.099	4.96%
Net Debt	344.549	-

Section 4: Prudential Indicators

revisions to: 2024/25 – 2027/28 and future years

Background

- 1.1. There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators.

Estimates of Capital Expenditure

- 1.2. In 2025/26, the Council estimates to spend £205.5m on capital expenditure as summarised below.

Capital Expenditure	2024/25 Actual £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	Future years £m
Total	88.323	205.542	145.891	120.317	178.015

Capital Financing

- 1.3. All capital expenditure must be financed either from external sources (government grants and other contributions), the Council's own resources (revenue reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of capital expenditure is as follows.

Capital Financing	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	Future years £m
Capital receipts	0.000	1.203	1.931	20.979	11.840
Government Grants	49.791	128.403	93.235	39.007	102.750
External Contributions	4.002	14.160	21.230	26.673	40.606
Revenue Contributions	0.901	0.830	0.660	0.000	0.000
Total Financing	54.694	144.596	117.056	86.659	155.196
Prudential Borrowing	33.629	60.946	28.835	33.658	22.819
Total Funding	33.629	60.946	28.835	33.658	22.819
Total Financing and Funding	88.323	205.542	145.891	120.317	178.015

Replacement of debt finance

- 1.4. Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets may be used to replace debt finance. Planned MRP repayments are as follows:

Replacement of debt finance	2024/25 Actual £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Total	15.327	17.977	21.920	23.934	25.104

Estimates of Capital Financing Requirement

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- 1.5. The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP repayments and capital receipts used to replace debt. The CFR is currently forecast to increase by £29m during 2025/26. This is due to the forecast level of capital expenditure for 2025/26 that is assumed will be financed by borrowing. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows.

Capital Financing Requirement	2024/25 Actual £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Total	521.596	550.705	576.972	584.755	572.483

Asset disposals

- 1.6. When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. Repayments of capital grants, loans and investments also generate capital receipts. The Council received £2.2m of capital receipts from asset sales in 2024/25 and plans to receive a further £25.9m in future years. However, as capital receipts can take longer to crystallise than often anticipated at the outset, a prudent approach has been taken in setting the MTFS as shown below. Any capital receipts in excess of those planned within the MTFS, and that are not already planned as funding for capital programmes, will be utilised at the discretion of the s151 Officer with a view to achieving the most beneficial longer term financial outcome for the Council.

Capital Receipts	2024/25 Actual £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Asset Sales	2.100	1.000	1.000	1.000	1.000
Loans Repaid	0.100	0.200	0.200	0.200	0.200
Total	2.200	1.200	1.200	1.200	1.200

Gross Debt and the Capital Financing Requirement

- 1.7. The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in the future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheap short term loans (currently available at around 4.93%) and long term fixed rate loans where the future cost is known but fixed over a period when rates are expected to fall (currently 4.99%– 5.3%).
- 1.8. Projected levels of the Council's total outstanding debt (which comprises borrowing, Private Finance Initiative liabilities, leases) are shown below, compared with the capital financing requirement.

Gross Debt and the Capital Financing Requirement	2024/25 Actual £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Borrowing	396.073	422.900	474.600	501.700	502.500
PFI Liabilities	17.419	16.638	15.488	14.318	13.076
Total Debt	413.492	439.538	490.088	516.018	515.576
Capital Financing Req.	521.596	550.705	576.972	584.755	572.483

- 1.9. Statutory guidance is that debt should remain below the capital financing requirement, except in the short term. As can be seen from the above table, the Council expects to comply with this in the medium term.

Liability Benchmark

- 1.10. To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £20m at each year end. This benchmark is currently £399m and is forecast to rise to £454m over the next four years.

Borrowing and the Liability Benchmark	2024/25 Actual £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Outstanding Debt	396.073	422.900	474.600	501.700	502.500
Liability Benchmark	399.594	458.607	479.315	476.597	453.795

- 1.11. The table shows that the Council expects to borrow above its liability benchmark during 2025/26 but rises to be above the benchmark in the medium term.

Affordable borrowing limit

- 1.12. The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

	2024/25 limit £m	2025/26 limit £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Authorised Limit for Borrowing	570.000	590.000	590.000	590.000	590.000
Authorised Limit for Other Long-Term Liabilities	17.419	16.638	15.488	14.318	13.076
Authorised Limit for External Debt	587.419	606.638	605.488	604.318	603.076
Operational Boundary for Borrowing	560.000	580.000	580.000	580.000	580.000
Operational Boundary for Other Long-Term Liabilities	17.419	16.638	15.488	14.318	13.076
Operational Boundary for External Debt	577.419	596.638	595.488	594.318	593.076

Investment Strategy

- 1.13. Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.
- 1.14. The Council's policy on treasury investments is to prioritise security and liquidity over yield, that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with money market funds, other local authorities or selected high quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in shares and property, to balance the risk of loss against the risk of returns below inflation.

Treasury Management Investments	31/03/25 Actual £m	31/03/26 Estimate £m	31/03/27 Estimate £m	31/03/28 Estimate £m	31/03/29 Estimate £m
Short term	20.000	20.000	20.000	20.000	20.000
Long term	20.000	20.000	20.000	20.000	20.000
Total Investments	40.000	40.000	40.000	40.000	40.000

- 1.15. Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by an investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e., the amount funded from Council Tax, business rates and general government grants.

Ratio of Financing Costs to Net Revenue Stream	31/03/25 Estimate	31/03/26 Estimate	31/03/27 Estimate	31/03/28 Estimate	31/03/29 Estimate
Financing Costs (£m)	29.433	31.725	36.183	39.731	41.618
Proportion of net revenue stream %	7.44	7.88	8.77	8.90	9.80