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**To: Council**

**On: 11 December 2025**

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**Report by: Director of Finance and Resources**

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**Heading: Treasury Management and Prudential Indicators Mid-Year Review 2025/26**

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## **1. Summary**

1.1 This mid-year report has been prepared in compliance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management in the Public Services Code of Practice on Treasury Management 2021. The report covers the following for 2025/26 to date:

- a review of the Treasury Management Strategy Statement 2025/26, incorporating the annual investment strategy;
  - a review of the Council's borrowing and investments;
  - a review of compliance with treasury management and prudential indicators;
  - an economic update and interest rate forecast.
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## **2. Recommendations**

2.1 It is recommended that Members:

- a) Note the treasury management activity for the period 1 April 2025 to 17 October 2025 (reporting period 7);
- b) Approve the 'Probable' prudential indicators for capital expenditure as detailed in Section 7 of the report.

### **3. Treasury Management Strategy Statement and Annual Investment Strategy Update**

3.1 The Treasury Management Strategy Statement for 2025/26 was approved by Council on 27 February 2025. It incorporates the Annual Investment Strategy, which sets out the Council's investment priorities as follows:

- the security of capital; and
- the liquidity of its investments.

3.2 The Council also aims to achieve the best return on its investments, along with the proper levels of security and liquidity.

3.3 Investments and borrowing between 1 April to 17 October 2025 were in line with the approved strategy, and there have been no changes to the policies set out in the Treasury Management Strategy Statement 2025/26.

3.4 Given the current economic climate, it is considered appropriate to keep investments short-term to cover cashflow needs, and seek improved returns in periods up to 12 months with high credit-rated financial institutions. The following sections in this report provide an update considering the current economic position and any budgetary changes already approved.

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### **4. Review of borrowing and investments over the period 1 April 2025 to 17 October 2025**

4.1 The Council's net borrowing position is calculated as total borrowing minus total investments. At 17 October 2025, this figure was a net borrowing position of £204.1m (see Appendix 1).

4.2 During the period 1 April to 17 October 2025, the Council's total external borrowing level decreased only marginally, from £283.8m to £283.0m. In early November, new short-term borrowing of £20.0m was taken from the PWLB to cover the projected cashflow until the end of the financial year.

4.3 In the same period, short-term investment balances have increased from £23.0m to £78.4m, primarily due to the front-loading of revenue support grant and other sources of income in-year, such as Council Tax payments.

4.4 The Director of Finance and Resources confirms that, during the period 1 April to 17 October 2025, the approved limits set out within the annual investment strategy sections of the Treasury Management Strategy Statement 2025/26 were complied with, and the Council only invested with institutions listed in its approved lending list. Similarly, only permitted investment vehicles were used, mainly fixed-term deposits with banks, the UK governments deposit facility (DMADF), call accounts and money market funds.

- 4.5 In accordance with CIPFA's Treasury Management in the Public Services Code of Practice, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return that is consistent with the Council's risk appetite.
- 4.6 As shown by the interest rate forecasts in Appendix 3, rates have remained at 4.0% and are forecast to reduce in Q1 of next year.
- 4.7 The table below shows the average interest rate achieved by the Council on its investments during the period 1 April 2024 to 17 October 2025. The table also shows for comparison the benchmark comparator SONIA (the Sterling Overnight Index Average), which is administered by the Bank of England and reflects bank and building societies' actual overnight funding rates in Sterling. The Council's average return is in line with the benchmark and the current bank rate.

Interest rates achieved	Average value of investments	Average rate of return	Benchmark return (SONIA)
Internally managed investments	£70.9m	4.14%	4.17%

- 4.8 Opportunities for debt rescheduling (where high rate loans are repaid and lower rate loans taken out instead) are limited in the current economic climate and this is not expected to change over the short term. However, officers continue to liaise with the Council's treasury advisors to monitor this.

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## 5. Review of compliance with Treasury Management indicators for 2025/26

- 5.1. During the period 1 April 2025 to 17 October 2025, the Council complied with the approved treasury management indicators as set out in the Treasury Management Strategy Statement 2025/26. These indicators relate to:
- **interest rate exposure:** the upper limit on the proportion of investments held with fixed interest rates and the upper limit on the proportion of investments held with variable interest rates;
  - **the maturity structure of borrowing:** the lower and upper limits on the proportion of investments that fall into each maturity band.

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## 6. Foreign Exchange Deposits

The Council will retain a holding of Euros in relation to the Renfrew bridge project, until the final account and any retentions are fully settled.

## 7. Review of Prudential Indicators for Capital Expenditure

- 7.1. The Local Government in Scotland Act 2003 and supporting regulations require local authorities to have regard to the Prudential Code for Capital Finance in Local Authorities (“the Prudential Code”).
- 7.2. Following a change to the Prudential Code 2021, Prudential Indicator reporting now forms part of the Revenue and Capital Budget Monitoring – Council Overview, reported each cycle to the Finance, Resources and Customer Services Policy Board, with this mid-year update reporting to full Council.
- 7.3. The Council set its prudential indicators for 2025/26 on 27 February 2025. The purpose of this section is to consider the indicators as they stand at 17 October 2025, approximately halfway through the financial year, and revise them where appropriate. All indicators for the current year and the following two years are summarised in Appendix 2.

### Capital Expenditure Indicators

- 7.4. The Council is required to make estimates of the capital expenditure it plans to incur for the forthcoming financial year and at least the following two years. Separate estimates should be made for Housing and Non-Housing services.
- 7.5. The Capital Investment Programmes for both Housing and Non-Housing were approved by Council on 27 February 2025, and the resulting indicators were updated in May 2025 to reflect the approved programme, incorporating the decisions taken by the Council at the budget meeting.
- 7.6. Council approved the following as an indicator for **Capital Expenditure**. The limit is based on the resources available to fund the capital programmes, split between Housing and Non-Housing Services, excluding the Public Sector Housing Grant, as this is not considered to be capital spend for the Council.

Capital Expenditure	2025/26 Approved	2025/26 Probable Outturn	2025/26 Movement	2025/26 Actual spend at 17 October
	£m	£m	£m	£m
Non-Housing	128.219	113.185	-15.034	50.961
Housing	61.336	46.546	-14.790	14.879
<b>Total</b>	<b>189.555</b>	<b>159.731</b>	<b>-29.824</b>	<b>65.840</b>

The decrease of £15.034m in the planned Non-Housing capital expenditure during 2025/26 is mainly attributable to:

- adjustment to the capital plan, (£23.024m), approved by Council on 1 May 2025.
- changes in the cashflow profile of a number of capital investment programmes, resulting in a net adjustment of (£12.282m) from 2025/26 into 2026/27 and future years, as reported to relevant policy boards;
- carry forward of programmed expenditure from 2024/25 to 2025/26 totalling £10.686m; and
- the addition of £9.586m, including various grant awards, and £3.5m relating to increased budget for Paisley Museum Reimagined, approved by Council on 25 September 2025.

The decrease of £14.790m in the planned Housing capital expenditure during 2025/26 arises from changes in cashflow profile of a number of programmes, particularly within regeneration, kitchen, bathroom and rewiring and upgrades to multi storey flats resulting in a net adjustment of £14.790m from 2025/26 into 2026/27, as reported to the Communities and Housing Policy Board.

### **Capital Financing Requirement Indicator**

7.7. The Council has available to it a number of ways of financing capital investment. The term 'financing' does not refer to the payment of cash, but the resources that are applied to ensure that any underlying capital spend is funded absolutely, whether at the point of spend or over the longer term. A number of financing options involve resourcing the investment at the time that it is incurred. These are:

- the application of useable capital receipts;
- a direct charge to revenue for capital expenditure;
- the application of capital grants; or
- upfront contributions from project partners.

Any capital expenditure not financed at the outset by one of these methods will increase the Capital Financing Requirement (CFR) of the Council.

The revised projected **Capital Financing Requirement** for 2025/26, based on the position at 17 October 2025 is noted in the table below.

Capital Financing Requirement 2025/26	Approved £m	Probable £m	Movement £m
Non-Housing	524	518	-6
Housing	173	156	-17
<b>Total</b>	<b>697</b>	<b>674</b>	<b>-23</b>

The decrease of £6m in probable Capital Financing Requirement at 31 March 2026 for Non-Housing services arises from the movement in net capital expenditure forecast to the end of 2025/26 described in 7.6 partially offset by the adoption of IFRS 16. The impact of IFRS 16 results in other long-term liabilities increasing, as contracts previously recognised as operating leases are now classed as right of use assets, with a liability and corresponding asset now recognised.

The decrease of £17m in the probable Capital Financing Requirement at 31 March 2026 for Housing services arises from the reduced capital expenditure forecast to the end of 2025/26 described in 7.6.

### External Debt Indicators

- 7.8. External debt indicators are set at two levels: an Operational Boundary and an Authorised Limit. Both of these need to be consistent with the Council's plans for capital expenditure and financing and with its Treasury Management policy statement and practices.

**Operational Boundary:** This is the focus of day-to-day treasury management activity within the Council and is an estimate of the most likely, but not worst case, scenario in terms of cashflow. Risk analysis and risk management strategies have been taken into account, as have plans for capital expenditure, estimates of the Capital Financing Requirement and estimates of cashflow requirements for all purposes. It is possible that this boundary is breached occasionally and this would not be regarded as significant. However, a sustained or regular trend of such would be significant, and require investigation and action.

The Operational Boundary is split between external borrowing and other long-term liabilities.

<b>Operational Boundary for external debt 2025/26</b>	<b>Approved £m</b>	<b>Probable £m</b>	<b>Movement £m</b>
Borrowing	602	550	-52
Other long-term liabilities	95	124	29
<b>Total</b>	<b>697</b>	<b>674</b>	<b>-23</b>

The decrease in the Operational Boundary of £23m is directly related to the decrease in the Capital Financing Requirement Indicator, and application of IFRS 16, described in 7.7.

**Authorised Limit:** This is based on the same assumptions as the Operational Boundary, with additional headroom to allow for both planned and exceptional cashflow requirements, without breaching the limit. It is split between external borrowing and other long-term liabilities.

<b>Authorised Limit for external debt 2025/26</b>	<b>Approved £m</b>	<b>Probable £m</b>	<b>Movement £m</b>
Borrowing	633	578	-55
Other long-term liabilities	95	124	29
<b>Total</b>	<b>728</b>	<b>702</b>	<b>-26</b>

The decrease of £26m is related to the Operational Boundary reduction as outlined in 7.8.

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## Implications of the Report

### 1. Financial

As described in the report; the Treasury Management Strategy Statement, treasury management and prudential indicators all assist in providing assurance that the Council's treasury management activities and longer-term spending plans are affordable, prudent and sustainable.

### 2. HR & Organisational Development

There are no direct implications arising from the recommendations in this report.

### 3. Community/Council Planning

<b>Community Plan</b>	
Our Renfrewshire is thriving	The Council's revenue and capital spend ensures that its facilities are fit for purpose and safe for the community, to maximise accessibility.
Our Renfrewshire is well	
Our Renfrewshire is fair	
Our Renfrewshire is safe	
<b>Council Plan</b>	
Reshaping our place, our economy and our future	The Council's revenue and capital spend ensures that its facilities are fit for purpose and safe for the community, to maximise accessibility.
Building strong, safe and resilient communities	
Tackling inequality, ensuring opportunities for all	
Creating a sustainable Renfrewshire for all to enjoy	Ongoing revenue and capital budget monitoring is a tool to enable good financial management so that the Council has resources now and in the future for continued service delivery.
Working together to improve outcomes	

### 4. Legal

There are no direct implications arising from the recommendations in this report.

### 5. Property/Assets

The capital expenditure noted in this report will result in lifecycle maintenance improvements to existing properties and replacement of ICT, infrastructure, and plant and equipment.

### 6. Information Technology

There are no direct implications arising from the recommendations in this report.

### 7. Equality & Human Rights

While new areas of spend may impact on particular groups, any such impact would be assessed prior to the spend being incurred, therefore there are no direct implications arising from the recommendations in this report.

**8. Health & Safety**

There are no direct implications arising from the recommendations in this report.

**9. Procurement**

While Procurement is an important consideration prior to the Council incurring any revenue or capital spend, there are no direct implications arising from the recommendations in this report.

**10. Risk**

The Treasury Management Strategy Statement, treasury management and prudential indicators provide a framework for the Council's treasury activities, the effective control of risks associated with those activities, and the pursuit of optimum performance in line with those risks.

This report demonstrates that the treasury management activities carried out during the period 1 April 2025 to 17 October 2025 have been consistent with the Treasury Management Strategy Statement 2025/26 and have complied with the treasury management indicators set out in the approved Treasury Management Strategy Statement.

**11. Privacy Impact**

There are no direct implications arising from the recommendations in this report.

**12. Children's Rights**

There are no direct implications arising from the recommendations in this report.

**13. Climate Change**

The Council aims to reduce its carbon and other emissions to net zero by 2030, however there are no direct implications arising from the recommendations in this report.

**14. Cosla Policy Position - N/A**

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**List of Background Papers:** Prudential Framework and Treasury Management Strategy, Council, 27 February 2025.

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## Appendix 1: Borrowing Position as at 17 October 2025

	Balance at 1 April 2025	New Borrowing in 2025/26	Cash Movements	Balance at 17 October 2025
<b>Long-term borrowing</b>				
PWLB – fixed rate	237,049,581.70	0	(797,063.26)	236,252,518.44
Market loans	46,766,000.00	0	0	46,766,000.00
<b>Total long-term borrowing</b>	<b>283,815,581.70</b>	<b>0</b>	<b>(797,063.26)</b>	<b>283,018,518.44</b>
<b>Investments</b>				
Fixed term deposits	0	0	0	0
Call accounts	(7,622,319.51)	0	17,415,719.51	9,793,400.00
UK Government DMADF	17,534,448.48	0	10,692,551.52	28,227,000.00
Money market funds	13,127,729.77	0	27,805,970.23	40,933,700.00
<b>Total investments</b>	<b>23,039,858.74</b>	<b>0</b>	<b>55,914,241.26</b>	<b>78,954,100.00</b>
<b>Net borrowing</b>	<b>260,775,722.96</b>	<b>0</b>	<b>(56,711,304.52)</b>	<b>204,064,418.44</b>



## Appendix 2: Prudential and Treasury Indicators as at 17 October 2025

	2025/26 Estimate	2025/26 Probable	2026/27 Estimate	2027/28 Estimate
<b>Operational boundary for external debt</b>	£697m	£674m	£770m	£827m
<b>Authorised limit for external debt</b>	£728m	£702m	£804m	£864m
<b>External debt*</b>	£492m	£360m	£558m	£614m
<b>Upper limit for fixed interest rate exposure (borrowing)</b> expressed as percentage of total net outstanding principal	100%	83%	100%	100%
<b>Upper limit for variable interest rate exposure (borrowing)</b> expressed as percentage of total net outstanding principal	25%	17%	25%	25%
	<b>New Borrowing in 2025/26</b>		<b>Total of all Borrowing</b>	
<b>Maturity structure of fixed rate borrowing</b>	<b>Value</b>	<b>Maturity structure</b>	<b>Upper limit</b>	<b>As at 17 October 2025</b>
Under 12 months	0	0%	15%	1.77%
More than 12 months and within 24 months	0	0%	15%	0.00%
More than 24 months and within 5 years	0	0%	45%	0.00%
More than 5 years and within 10 years	0	0%	50%	6.26%
10 years and above	0	0%	100%	91.97%

\* The Probable figure here represents the actual level of debt at 17 October 2025 and includes finance lease and service concession liabilities, in line with the Authorised Limit and Operational Boundary values.



## Appendix 3: Economic Update and Interest Rate Forecast

### 1. Economic update (MUFG Corporate Markets)

1.1. 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%.

### 2. Interest Rate Forecast (MUFG Corporate Markets)

2.1. The Council has appointed MUFG Corporate Markets as its treasury advisors, and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1 November 2012.

2.2. The latest forecast on 11 August sets out a view that short, medium and long-dated interest rates remain elevated, but will begin to reduce slightly over the next two years.

2.3. Revised PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps). For those authorities with a Housing Revenue Account (HRA) borrowing need, a lower PWLB rate of standard rate minus 60 bps started on 15 June 2023 and is set to prevail until at least the end of March 2026. There may be a further extension to this discounted rate in the next Budget announcement.

MUFG Corporate Markets Interest Rate View 11.08.25														
	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	
<b>BANK RATE</b>	4.00	4.00	3.75	3.75	3.50	3.50	3.50	3.50	3.25	3.25	3.25	3.25	3.25	
<b>3 month ave earnings</b>	4.00	4.00	3.80	3.80	3.50	3.50	3.50	3.50	3.30	3.30	3.30	3.30	3.30	
<b>6 month ave earnings</b>	4.00	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.30	3.30	3.40	3.40	3.40	
<b>12 month ave earnings</b>	4.00	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.30	3.40	3.50	3.60	3.60	
<b>5 yr PWLB</b>	4.80	4.70	4.50	4.40	4.30	4.30	4.30	4.20	4.20	4.20	4.20	4.10	4.10	
<b>10 yr PWLB</b>	5.30	5.20	5.00	4.90	4.80	4.80	4.80	4.70	4.70	4.70	4.70	4.60	4.60	
<b>25 yr PWLB</b>	6.10	5.90	5.70	5.70	5.50	5.50	5.50	5.40	5.40	5.30	5.30	5.30	5.20	
<b>50 yr PWLB</b>	5.80	5.60	5.40	5.40	5.30	5.30	5.30	5.20	5.20	5.10	5.10	5.00	5.00	

