Meeting of:	**CABINET**
Date of Meeting:	**22 SEPTEMBER 2026**
Report Title:	**TREASURY MANAGEMENT QUARTER 1 REPORT 2026-27**
Report Owner: Responsible Chief Officer / Cabinet Member	**CABINET MEMBER FOR FINANCE AND TRANSFORMATION CORPORATE DIRECTOR – FINANCE AND TRANSFORMATION**
Responsible Officer:	**NIGEL SMITH GROUP MANAGER – CHIEF ACCOUNTANT**
Policy Framework and Procedure Rules:	**Paragraph 23.5 of the Council's Financial Procedure Rules require the Chief Finance Officer to report quarterly to Cabinet, summarising borrowing and investment activity and indicating compliance with any statutory or Council approved guidelines together with a half yearly and an annual report to Council.**
Executive Summary:	**The report provides an update of Treasury Management activity for the quarter 1 period 2026-27, to 30 June 2026. As at 30 June 2026 the Council had £92.58 million of long term debt, £1.95 million of Salix loans (£1.93 million interest free, £0.02 million at a rate of 2.15%), £11.33 million of other long term liabilities and £68 million of investments. The overall net debt position is £37.86 million. The average interest rate for debt as at 30 June 2026 was 4.62%. For investments it was 3.71%. The Council has a manageable maturity structure of borrowing, with its current debt repayable at various points over the next 30 years. The Lender's Option Borrower's Option provider has called their loans, and they were repaid on 22 July 2026. The loan principle repaid was £19.25 million. The Council is required to set and report against Treasury Management Indicators, details of which are included in Appendix A. These show that the Council is operating within its approved limits. The Council has complied with the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services Code of Practice and Welsh Government Investment Guidance during the period.**

1. Purpose of Report

1.1 The purpose of this report is to update the Cabinet on the treasury management activities for the quarter ending 30 June 2026.

2. Background

2.1 Treasury Management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council is 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 Council's prudent financial management.

2.2 Treasury risk management at the Council 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 TM Code), which requires the Council to approve a Treasury Management Strategy before the start of each financial year, and, as a minimum, a semi-annual and annual treasury outturn report. The CIPFA TM Code also requires the Council to set a number of Treasury Management Indicators, which are forward-looking parameters, and enable the Council to measure and manage its exposure to treasury management risks, and these are included throughout this report. Welsh Government (WG) guidance issued in November 2019 on Local Authority Investments requires the Council to approve an Investment Strategy before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA TM Code and the Welsh Government Guidance. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the Welsh Government Guidance.

2.3 The CIPFA Prudential Code for Capital Finance in Local Authorities (Prudential Code) includes a requirement for Local Authorities to provide a Capital Strategy, which is a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The definition of investments in the Prudential Code covers all the financial assets of the Council as well as other non-financial assets which the authority holds primarily for financial return. The Council's Capital Strategy 2026-27 complies with CIPFA's requirement and includes the Prudential Indicators along with the details regarding the Council's non-treasury investments. The Capital Strategy and Treasury Management Strategy should be read in conjunction with each other as they are interlinked, as borrowing and investments are directly impacted upon by capital plans, and both were approved together by Council on 25 February 2026.

2.4 The Council's treasury management advisors are Arlingclose. The current services provided to the Council include:

- advice and guidance on relevant policies, strategies and reports
- advice on investment decisions
- notification of credit ratings and changes
- other information on credit quality
- advice on debt management decisions
- accounting advice
- reports on treasury performance

- forecasts of interest rates
- training courses

3. Current situation / proposal

3.1 External Context – Economic Background

3.1.1 UK headline consumer price inflation (CPI) rose by 2.6% in the 12 months to June 2026, down from 2.8% the previous month. On a monthly basis, CPI rose by 0.1% in June 2026, compared with a rise of 0.3% in June 2025. Core CPI (CPI excluding energy, food, alcohol and tobacco) rose by 2.6% in the 12 months to June 2026, unchanged from the 12 months to May.

3.1.2 Data released during the period showed the UK economy expanded by 0.6% in the first quarter of the calendar year, following three previous quarters of weaker growth. However, monthly Gross Domestic Product (GDP) data showed a contraction of 0.1% in April as weaker confidence affected spending and investment decisions.

3.1.3 Interest rates during the quarter held steady at 3.75%. Arlingclose, the authority's treasury adviser, maintained its central view that Bank Rate will remain at this rate and that the Bank of England would focus on the spare capacity in the economy, notably the labour market, rather than the upside risk of persistent inflation.

3.2 Public Works Loan Board (PWLB) Lending Facility Advice, Revised CIPFA Codes

3.2.1 The Council continues to undertake its duties in line with the current guidance for the PWLB lending facility which was significantly revised by HM Treasury in August 2021. Authorities that are purchasing or intending to purchase investment assets primarily for yield, or financial return, will not be able to access funding from the PWLB except to refinance existing loans or externalise internal borrowing. Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management.

3.2.2 The Council's treasury management activities are undertaken in line with CIPFA's Prudential Code for Capital Finance in Local Authorities and CIPFA's Treasury Management in the Public Services Code. To comply with the Prudential Code authorities must not borrow to invest primarily for financial return. The Prudential Code also states it is not prudent for local authorities to make investment or spending decisions that will increase the Capital Financing Requirement (CFR) unless directly and primarily related to the functions of the authority. Existing commercial investments are not required to be sold, however, authorities with existing commercial investments who expect to need to borrow should review the options for exiting these investments.

3.3 Treasury Management update for period 1 April 2026 to 30 June 2026

3.3.1 The Council has complied with its legislative and regulatory requirements during the first quarter of 2026-27. The Treasury Management Strategy 2026-27 was approved by Council on 25 February 2026.

3.3.2 A summary of the treasury management activities is shown in the Treasury Management Quarterly report to 30 June 2026 at **Appendix A**. The Council's external debt and investment position on 30 June 2026 is shown in Table 1 below, and more detail is provided in **Appendix A.** No long-term borrowing has been taken out in the first quarter of 2026-27.

The balance on investments held at 30 June 2026 was £68.00 million, an increase from the £44.50 million held at 31 March 2026, with an average interest rate of 3.71% (4.73% as at 31 March 2026). The Council received four instalments of the Welsh Government Revenue Settlement Grant during the period which has provided a positive cash flow position for the first quarter.

Table 1: Council's external debt and investment position at 30 June 2026

Investments for Treasury Purposes	**Principal as at 31/03/2026 £m**	**Principal as at 30/06/2026 £m**	**Average Rate 30/06/2026 %**
External Long Term Borrowing			
Public Works Loan Board (PWLB)	78.33	73.33	4.73
Lenders Option Borrowers Option (LOBO)	19.25	19.25	4.65
Salix Loans (Interest Free)	2.12	1.93	NIL
Salix Loans (Other)	0.02	0.02	2.15
Total External Borrowing	**99.72**	**94.53**	**4.62***
Other Long Term Liabilities			
Private Finance Initiative**	10.89	9.73	
IFRS 16 Leases	1.98	1.60	
Total Other Long Term Liabilities	**12.87**	**11.33**	
Total Gross Debt	**112.59**	**105.86**	
Investments for treasury management purposes			
Debt Management Office	NIL	28.00	3.73
Other Local Authorities	30.00	NIL	NIL
Banks	8.00	4.50	2.72
Money Market Funds (instant access)	6.50	35.50	3.82
Total Treasury Investments	**44.50**	**68.00**	**3.71**
Net Debt	**68.09**	**37.86**	

** (PFI) arrangement for the provision of a Secondary School in Maesteg with* a remaining term to 30 September 2033

3.3.3 The £19.25 million in Table 1 above relates to Lender's Option Borrower's Option (LOBO) loans which gives the lender the option to change or increase the interest rate set twice during the year, January and July with the borrower given the option to accept the rate change or repay the loan. The lender exercised their right to change the rate and gave notification that they intended to increase the interest rate from 4.65% to 7.52% commencing on the next call date of 22 July 2026. A decision was therefore made to repay these loans at that date.

3.3.4 The Total Other Long Term Liabilities figure of £11.33 million at 30 June 2026 includes £9.73 million for the Private Finance initiative (PFI) arrangement for the provision of a Secondary School in Maesteg and £1.60 million right of use assets.

3.3.5 Both the CIPFA Code and Welsh Government Guidance require the Council 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 Council's objective when investing money is to strike an appropriate balance between risk and return. Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard and Poor's to ensure that this lies within the Councils' agreed minimum credit rating.

3.3.6 The Council defines high credit quality as organisations and securities having a credit rating of A- (A3 for Moody's) or higher and the Council does not invest in any organisation below this level. Schedule A in **Appendix A** shows the equivalence table for credit ratings for Fitch, Moody's, and Standard and Poor's and explains the different investment grades.

3.3.7 There are no long-term investments (original duration of 12 months or more) outstanding as at 30 June 2026. All investments at 30 June 2026 are short term deposits including instant access and notice accounts.

3.3.8 The Treasury Management Code requires the Council to set and report on a number of Treasury Management Indicators. The indicators either summarise the expected activity or introduce limits upon the activity. Details of the estimates for 2026-27 set out in the Council's Treasury Management Strategy compared to the actual at 30 June 2026 are shown in **Appendix A** and these show that the Council operated within the approved limits throughout the year to date.

4. Equality implications (including Socio-economic Duty and Welsh Language)

4.1 The protected characteristics identified within the Equality Act, Socio-economic Duty and the impact on the use of the Welsh Language have been considered in the preparation of this report. As a public body in Wales the Council must consider the impact of strategic decisions, such as the development or the review of policies, strategies, services and functions. This is an information report, therefore it is not necessary to carry out an Equality Impact assessment in the production of this report. It is considered that there will be no significant or unacceptable equality impacts as a result of this report.

5. Well-being of Future Generations implications and connection to Corporate Well-being Objectives

5.1 The well-being goals identified in the Act were considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon the achievement of well-being goals/objectives because of this report.

6. Climate Change and Nature Implications

6.1 The Climate Change and nature implications were considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon the environment because of this report.

7. Safeguarding and Corporate Parent Implications

7.1 The Safeguarding and Corporate Parenting implications were considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon safeguarding and corporate parenting because of this report.

8. Financial Implications

8.1 The financial implications are reflected within the report and the attached **Appendix A**.

9. Recommendations

9.1 It is recommended that Cabinet:

- Note the treasury management activities for the quarter ending 30 June 2026.
- Note the Treasury Management Indicators for the period 1 April 2026 to 30 June 2026 against those approved in the Treasury Management Strategy 2026-27.

Background documents

None