Agenda Item	3
Report No	HC/02/26

THE HIGHLAND COUNCIL

Committee: **The Highland Council**

Date: **26 March 2026**

Report Title: **Treasury Management Strategy Statement and Investment Statement – 2026/27**

Report By: **Chief Officer – Corporate Finance**

1. Purpose/Executive Summary

1.1 The Council has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management in Local Authorities (the Code). A requirement of the Code is for an annual Treasury Management Strategy Statement and Investment Statement (TMSS & IS) to be approved by Council for the forthcoming year.

This TMSS & IS has been prepared in accordance with the CIPFA Treasury and Prudential Codes 2021 and guidance notes.

The key objectives of the Prudential Code are to ensure that a local authority's capital expenditure plans and investment plans are *affordable* and proportionate, and all external borrowing and long-term liabilities are within *prudent and sustainable levels*. This report to Members is therefore an essential part of the Council's financial plans and strategies, to support short and longer-term financial planning, and financial sustainability.

The report sets out a range of Financial Indicators and datasets, within which the following key points are highlighted in this Executive Summary, including some new and additional controls and measures introduced within this report:

The Council's Highland Investment Plan (HIP) and funding strategy is now well established. Forecasts and indicators within this report include the agreed levels of HIP investment and reflect council tax and earmarking of 2% revenue decisions, and future earmarking forecasts, to support council considerations of affordability, prudence and sustainability. The report sets out current and forecast indicators for the HIP in comparison with the local 10% 'cap' on the ratio of repayment of borrowing costs relative to revenue funding. The forecast against that ratio is as follows from **Appendix 1** showing forecasts remaining within the cap.

	2024/25 Actual	**2025/26 Original Estimate**	**2025/26 Revised Estimate**	**2026/27 Estimate**	**2027/28 Estimate**	**2028/29 Estimate**
General Fund Ratio*	8.0%	8.7%	8.4%	8.9%	9.1%	9.4%
Agreed Cap 10%						

**Ratio of Repayment of Borrowing Costs to Net Revenue Funding Stream. Liabilities associated with PPP and similar school contracts, and leases under accounting standard IFRS16 are excluded from this measure.*

Building on the now well established principles and decisions made in relation to the HIP, and taking account of the principles agreed by the Housing and Property (H&P) Committee on 5 November 2025 and reflected in the rent setting report of 28 January 2026, this report introduces a 43% 'cap' on the ratio of HRA repayment of borrowing costs relative to HRA revenue funding. This is introduced as an interim cap, given, as agreed by the H&P Committee, there is a clear recognition that *"The loan charge ratio should reduce over time. Too much of the current revenue budget is going to service the debt rather than delivering services/upgrades for tenants. (Council and tenant priority)". I.e. in future a revised and lower cap or target will need introduced.* This new cap will also assist by giving a specific control measure and cap, in the context of HRA affordability, prudence and sustainability considerations. Further information is also set out in **Appendix 1.**

	2024/25 Actual	**2025/26 Original Estimate**	**2025/26 Revised Estimate**	**2026/27 Estimate**	**2027/28 Estimate**	**2028/29 Estimate**
Housing Revenue Account Ratio of Repayment of Borrowing Costs to Net Revenue Funding Stream	41.1%	44.5%	41.5%	41.9%	41.2%	41.2%
New Cap 43%						

New cap and control measures have also been introduced in relation to the schedule of non-treasury permitted investments in **Appendix 6.** As part of an ongoing process of review and refinement of policies and strategies and recognising the Council is increasingly considering new and innovative opportunities, the Council's strategy, permitted investments and control measures needed refinement to reflect such circumstances.

First, there have been revisions to improve upon controls by introducing an upper cap on investments for loans provided to Housing Associations for provision of affordable housing. The cap being introduced of £80.0m would equate to around 5% of the total of the Council's forecast net borrowing (2026/27 forecast). For context, at 31/03/25 the Council had loans of this nature totalling £50.0m, with the £80.0m cap taking account of current plans and forecasts for further loans to housing associations in 2026/27.

Secondly, following the purchase of D&E Coaches in January 2025 the Council continues to explore new and innovative ideas for potential opportunities for non-treasury investments in areas such as community transport, renewables, income generation and operational service delivery. For future risk control, recognising investments of this nature will have both cashflow implications and future risks of impairment (risk of any losses and write down of investment values), the Council will place a cap on the total value of any such investments using an upper limit linked to the Council's level of General Reserves and tied into its reserves policy. This means the cap on such non-treasury investments would be limited to the actual or forecast level of General Reserves on 1 April of the year to which this Strategy relates, and as set out within the annual TMSS&IS (this report). For 2026/27, and based on the Council's forecasts, the upper limit cap for such investments would be £24.980m, being the 01/04/26 General Reserve forecast (Medium Term Financial Plan report to Council 5 March 2026). To date actual investments (D&E Coaches Ltd) scoring against this cap are on the Council's balance sheet with an Investment Value of £6.1m (31/03/25).

There may be a requirement for further review and revision to the schedule of non-treasury permitted investments on a case-by-case basis including the amendment/implementation of appropriate caps and controls. There remain other funding and accounting mechanisms through which the Council has, or in future may, explore different ways of "investing" (in the broader sense) into new areas. This may include funding of activity via reserves or capital investment in which case these would not be expected to score against these new caps and limits but instead through other pre-existing budget setting and control measures.

Summary of New Caps and Controls:

	% Cap
HRA Cap on Ratio of Repayment of Borrowing Costs relative to Net Revenue Stream	43%

New Limits	**Limit**	**Exposure at 31/03/25**
HHA Loans	£80.0m	£50.0m
Non-Treasury Investments	£25.0m	£6.1m

This report also addresses the implications of International Financial Reporting Standard (IFRS) 16. In effect, this brought onto the Council balance sheet and into Council assets/liabilities the extent of all lease arrangements the Council has as lessee. While we can reflect the full impact of actuals in 2024/25, future years implications remain as initial forecasts and will be updated as more information becomes available.

Total External Borrowing is scheduled to increase from an estimated £1.430Bn in 2025/26 to an estimated £1.867Bn by 2028/29 reflecting the Council's agreed and forecast capital investment plans. As set out above, with this increase in borrowing forecast to nonetheless see the Council remaining within its HIP (10%) and HRA (43%) borrowing ratio caps i.e. there is forecast to be a similar rise in revenue funding to broadly match the increase in repayment of borrowing costs. These borrowing totals reflect the combined and total forecast borrowing position across the Council, including General Fund and Housing Revenue Account (HRA).

2. Recommendations

2.1 Members are asked to **approve**:-

i. the Treasury Management Strategy Statement and Investment Statement for 2026/27 and the Prudential Indicators as detailed in **Appendix 1** of the report; and
ii. the new caps, controls and limits introduced within this report and relating to HRA ratio of repayment of borrowing costs, borrowing for loans to Housing Associations and limit for non-treasury investments.

3. Implications

3.1 **Resource** – The TMSS & IS is a key strategy document, and along with the appended Prudential Indicators is in place to ensure the Council has clear plans and reporting arrangements regarding affordability, prudence and sustainability. Regarding financial year 2026/27, this report aligns with the capital programme covering the 5-year period 2024/25 to 2028/29 which was approved by Council (27 June 2024) and subsequent HIP project priority decisions.

Treasury and Investment activity can however relate to multi-year, and often very long-term financial commitments beyond the life of capital programmes, and this report considers short, medium and longer-term prospects and implications in line with the requirements of the Code.

3.2 **Legal** – statutory requirements are set out in section 5.2.

3.3 **Risk** – A lack of available short-term borrowing, or increased interest rates for short-term borrowing due to supply and demand issues would result in increased borrowing costs. In such circumstances the Council may have no option but to take long term PWLB borrowing at higher interest rates.

A significant risk to the Council's treasury and capital plans is interest rates. During the period since the approval of the 2025/26 TMSS & IS by Committee (March 2025) PWLB borrowing rates remain above previous forecasts (forecasts are provided by the Council's investment advisor, MUFG). In February 2025, the forecast for March 2026 was that bank rate would be 3.75% and 50-year PWLB rate would be 5.10%.

The current position in March 2026 is that bank rate is 3.75% and as set out in section 6.5, forecast to remain at this level until June 2026 with 50-year PWLB currently at 5.60% and forecast to reduce gradually from June 2026. There is likely to continue to be exceptional volatility and unpredictability in rates, with current events in the middle east impacting also.

The forecasts of potential capital investment funding for the Highland Investment Plan are based on a number of assumptions including forecast interest rates, forecast revenue budget and council tax assumptions, forecast capital project costs and profiles. All of which can be expected to vary and which will require regular review and re-basing to ensure it remains affordable.

3.4 There are no **Community (Equality, Poverty, Rural and Island), Health & Safety (risks arising from changes to plant, equipment, process or people) or Gaelic implications** arising as a direct result of this report.

3.5 **Climate Change/Carbon Clever** – the environment, social, governance (ESG) requirements of the CIPFA Treasury Codes 2021 are considered in section 12.2 to 12.6.

4. Impacts

4.1 In Highland Council, all policies, strategies or service changes are subject to an integrated screening for impact for Equalities, Poverty and Human Rights, Children's Rights and Wellbeing, Climate Change, Islands and Mainland Rural Communities, and Data Protection. Where identified as required, a full impact assessment will be undertaken.

4.2 Considering impacts is a core part of and needs to inform the decision-making process. When taking any decision, Members must give due regard to the findings of any assessment.

4.3 This is a policy document, so an impact assessment screening was completed, and no further impact assessment was required. A summary of the conclusions of the screening is outlined below.

Impact Assessment Area	**Initial Screening Summary**
Equality	*No impact*
Socio-Economic	*No impact*

Human Rights	*No impact*
Children's Rights and Well-being	*No impact*
Island and Mainland Rural	*No impact*
Climate Change	*No impact*
Data Rights	*No impact*

5. Introduction

As noted above, the TMSS & IS has been drafted in accordance with the CIPFA Treasury and Prudential Codes 2021 and guidance notes which require that there is a clear reporting framework, and a local authority's capital expenditure plans and investment plans are **affordable** and proportionate, and all external borrowing and long-term liabilities are within **prudent and sustainable** levels.

The TMSS & IS are prepared taking account of the current HRA capital programme approved by Council in December 2021 and current General Fund capital programme which was approved by Council in June 2024 (Capital Programme Review report) including updates from May 2025 and October 2025 in relation to the integration of the Highland Investment Plan (HIP) with both programmes agreed in view of what was considered to be affordable, prudent and sustainable.

5.1 Background

It is a statutory requirement under Section 93 of the Local Government Finance Act 1992, for the Council to produce a balanced budget which means that cash raised during the year must meet cash expenditure. Part of treasury management is to ensure that this cash flow is adequately planned with liquid cash being available when needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Council's low risk appetite providing adequate liquidity.

A major function of the treasury management service is funding of the Council's capital plans. Capital plans provide a guide to the borrowing needs of the Council ensuring that it can meet its capital spending obligations. The management of longer-term cash may involve arranging long or short-term loans or utilising internal borrowing (use of existing cash). When it is prudent and cost effective, any borrowing previously drawn down may be restructured to meet risk or cost objectives.

The Council must calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. Any increases in capital expenditure must be limited to a level whereby the corresponding increases in revenue charges are affordable and within the projected future income of the Council. This report provides key information to allow the Council to consider these key points. Increases in revenue charges would include the following:

1. increases in interest charges caused by increased borrowing to finance additional capital expenditure
2. any increases in running costs from new capital projects
3. Interest rates increasing for short-term borrowing and a lack of availability of short-term borrowing which requires the Council to take more expensive PWLB borrowing

The contribution the treasury management function makes to the Authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects.

Since surplus cash balances generally result from reserves and balances, i.e. earmarked and non-earmarked General Fund Reserves resulting from prior years revenue funding received and not yet utilised, it is paramount to ensure adequate security of the sums invested, as a loss of principal will result in a loss to the General Fund Balance.

Treasury management is defined by the Code as:

"The management of the local authority's borrowing, investments and cash flows, including 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."

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management.

5.2 Statutory Requirements

The Local Government in Scotland Act 2003 (the Act) and supporting regulations requires the Council to 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

The Act requires the Council to set out its Treasury Strategy for borrowing and to prepare an Annual Investment Strategy (included in **Section 12** of this report); this sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of them.

5.3 CIPFA Requirements

This TMSS & IS for 2026/27 will follow the 2021 CIPFA Code of Practice on Treasury Management and the primary requirements of this are:

- Creation and maintenance of a **Treasury Management Policy Statement** which sets out the policies, objectives and approach to risk management of the Council's treasury management activities.
- Receipt by the full council of an annual **Treasury Management Strategy Statement and Annual Investment Strategy** (this report) which is forward looking and covers:
    - The capital plan (including prudential indicators)
    - The policy on statutory repayment of loans fund advances (how residual capital expenditure is charged to revenue over time, see **Appendix 2**)
    - The Treasury Management Strategy (how the investments and borrowings are to be organised), including treasury indicators; and
    - An Annual Investment Strategy (the parameters on how investments are to be managed).
- Receipt by Corporate Resources Committee of a **Mid-year Review Report** – this is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary and whether any policies require revision. In addition, the Committee will receive quarterly **Treasury Management Statements of Transactions.**

- Receipt by Corporate Resources Committee of an **Annual Report** – this is a review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.
- 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 specific named body. This Council's delegated Committee is the Corporate Resources Committee.
- Creation and maintenance of **Treasury Management Practices** which set out the manner, in which the Council will seek to achieve those policies and objectives and prescribing how it will manage and control those activities.

5.4 Treasury Management Strategy for 2026/27

The proposed strategy for 2026/27 in respect of the following aspects of the treasury management function is based upon the Council officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury adviser, MUFG Pension & Market Services (MUFG).

The strategy covers 2 main areas:

1. Capital issues – capital plans and the prudential indicators.
2. Treasury management issues
    - the current treasury position
    - treasury limits and indicators for 2026/27 to 2028/29 (which will limit the treasury risk and activities of the Council)
    - prospects for interest rates
    - the borrowing requirement based upon the Council's current capital programmes
    - the borrowing strategy (including policy on borrowing in advance of need)
    - debt rescheduling
    - annual investment strategy
    - credit worthiness policy
    - policy on use of external service providers

5.5 Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training, relevant to their needs and those responsibilities. This especially applies to members responsible for scrutiny (the Corporate Resources Committee).

The training needs of treasury management officers are periodically reviewed, with training provided throughout the year using several mediums: in-house training, meetings with and training provided by Treasury advisers, online courses, external training courses and attendance at treasury forum meetings with other Councils.

In accordance with the Code, Officers will maintain a knowledge and skills schedule. The schedule will set out the following amongst other information: legislation and guidance that must be understood and complied with; to whom policy applies; competencies for each role; how training will be delivered; need for formal qualifications; frequency of training; how knowledge skills gaps will be identified, arrangements for monitoring, reviewing and reporting knowledge and skills schedule). There will be a record of training maintained.

In 2026 Officers intend to deliver further training in Treasury Management to Members and it is planned to deliver further training in this area as required.

5.6 Treasury management advisors

The Council uses MUFG as its external treasury management advisors. MUFG were appointed to this role effective from 1 December 2025 for a three-year period.

6. Financial and Economic Context

6.1 The Council continues to operate in a challenging financial landscape characterised by ongoing cost pressures, high but easing interest rates, and wider economic uncertainty. These conditions directly influence borrowing costs, affordability of capital plans, and the sustainability of the Council's long-term investment priorities. A summary of risks is provided in Section 3.3.

6.2 Multi-year and longer-term assumptions are of course forecasts, and within the nature of this report is the need to make estimates and assumptions often many years ahead, to provide appropriate financial modelling and indicators to support member decision making.

At the time of writing this report, the Council has an approved General Fund capital programme covering up to and including 2028/29 which now includes updates for the Highland Investment Plan (HIP). The HRA capital programme will require review and agreement for the period 2027 onwards. This report therefore makes assumptions on future levels of capital investment beyond that formally agreed, with consideration to the agreed/proposed affordability caps (10% for HIP and 43% for HRA), these estimates are expected to be revised and updated to reflect agreed plans.

6.3 There are risks and assumptions associated with the financial modelling within this report, and key points are summarised below.

There is the risk that borrowing costs may be higher with the consequence that planned capital investment may need be lowered, because of:

- Interest rates and costs of borrowing being at higher levels than forecast;
- Revenue budget outlook and decisions do not provide for the level of HIP investment capacity as forecast;
- Capital priorities and capital investment decisions result in higher costs/accelerated profiles of spend than had been assumed.

Such risks are mitigated through:

- Regular review of interest rate forecasts and reporting to Corporate Resources Committee;
- At least an annual review of HIP capital quantum assumptions.
- Clear alignment between Revenue Budget, Capital/HIP and Treasury plans and strategies.

- HIP capital investment decisions being clearly predicated on the need to agree and earmark revenue funds before the commitment to capital costs.
- An expected time lag between HIP funding decisions and capital spending commitments.

6.4 While there remain significant challenges facing the public sector and it is expected that Councils will continue to need to transform how services are delivered, the Council's approach to capital investment and planning (through this report) provides the foundation for the Council ensuring its decisions are affordable, prudent and sustainable. Capital investment is an aspect of Council spending which requires regular and ongoing review and may need changed depending on the prevailing financial outlook.

6.5 Economic conditions remain a significant influence on treasury planning.

The economic environment remains characterised by uncertainty, with inflationary pressures, slowing growth, and global policy developments continuing to influence market conditions. MUFG's latest analysis in **Appendix 3** indicates a mixed outlook for 2025–2026, with UK GDP expected to remain subdued before gradually strengthening.

Inflation is forecast to peak during 2025 before easing back towards its target of 2% over the medium term, though risks remain on the upside due to global tariff developments and domestic fiscal pressures. Recent Bank of England decisions point to a gradual and careful approach to further monetary policy easing, following four rate cuts during 2025. Gilt yields have been volatile, reflecting both domestic fiscal concerns and wider global market movements.

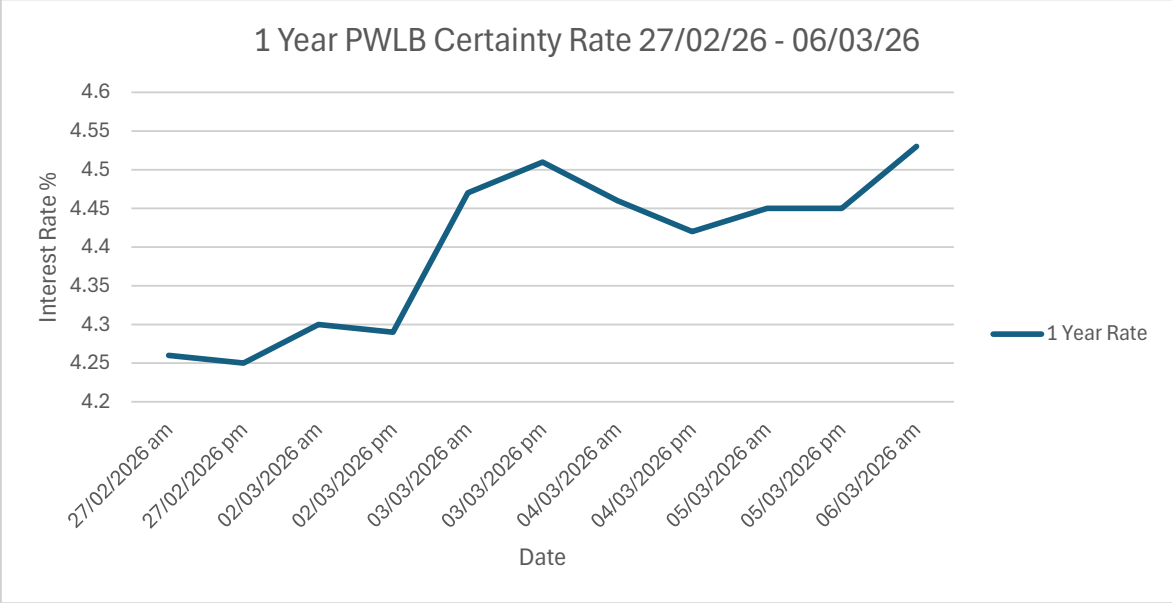
MUFG's interest rate forecasts produced on 22 December 2025 and shown in the following table helps and gives an indication of what movements are likely in PWLB Certainty Rates (gilt yields plus 80bps). Although market volatility has persisted, MUFG's projections remain broadly stable, with only minor adjustments to reflect evolving inflation, fiscal policy signals, and global economic conditions.

MUFG Corporate Markets Interest Rate View 22.12.25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28	Mar-29
BANK RATE	3.75	3.50	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
3 month ave earnings	3.80	3.50	3.50	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30
6 month ave earnings	3.80	3.50	3.50	3.40	3.30	3.30	3.30	3.40	3.40	3.40	3.40	3.40	3.40
12 month ave earnings	3.90	3.60	3.60	3.50	3.40	3.50	3.50	3.50	3.50	3.50	3.60	3.60	3.60
5 yr PWLB	4.60	4.50	4.30	4.20	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10
10 yr PWLB	5.20	5.00	4.90	4.80	4.80	4.70	4.70	4.70	4.70	4.60	4.60	4.60	4.70
25 yr PWLB	5.80	5.70	5.60	5.50	5.50	5.40	5.30	5.30	5.30	5.20	5.20	5.20	5.20
50 yr PWLB	5.60	5.50	5.40	5.30	5.30	5.20	5.10	5.10	5.10	5.00	5.10	5.00	5.00

The Council's borrowing strategy for 2026/27 must therefore remain flexible and responsive to market movements, as outlined in **Section 10**.

Current events in the Middle East have had an immediate impact on borrowing rates. Below shows the movements in the 1 year PWLB Certainty Rate over the last week (27/02/26 to 06/03/26) with there being a 27 basis point rise over this period reflecting market uncertainty which therefore increases the costs of future borrowing. This is an emerging situation the full impact of which cannot be quantified at this time.

Impact of recent events in the middle east:



6.6 The implementation of International Financial Reporting Standard 16 (IFRS 16) brings lease liabilities and right-of-use assets onto the balance sheet, increasing both capital expenditure forecasts and the Capital Financing Requirement (CFR). Estimated forecasts for future year implications are currently incorporated into the indicators in **Appendix 1** while the Council still works on how this standard may impact these indicators in the future.

6.7 The Council continues to consider and hold non-treasury investments to support strategic objectives. The financial implications for treasury management will be kept under review. Full details, including regulatory considerations and risk controls, are shown in **Appendix 6**.

7. Treasury Limits for 2026/27 to 2028/29

7.1 It is a statutory duty under part 7 of the Local Government in Scotland Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can afford to allocate to capital expenditure.

7.2 The Council must have regard to the Prudential Code when setting the Affordable Capital Expenditure Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and that the impact upon its future council tax and council house rent levels is acceptable.

7.3 Whilst termed an "*Affordable Capital Expenditure Limit*", the capital plans to be considered for inclusion may incorporate financing by both external borrowing and other forms of liability, such as credit arrangements. The affordable capital expenditure limit is to be set, on a rolling basis, for the forthcoming and two successive financial years.

7.4 The context for this report references a number of specific reports to Council over the past year including: updates on the HIP (May 2025 and October 2025), the new updated Medium-Term Financial Plan agreed by the Council on 5 March 2026, and reports to Housing and Property Committee regarding the Housing Revenue Account (HRA) budget and rent for 2026/27.

7.5 Whist rates have fallen and are continuing to fall, the Council is currently operating in a higher inflation and interest rate environment than had previously been predicted. Costs of service delivery are increasing, as are demands for services in many areas, and community expectations against a backdrop of ongoing pressure on public sector finances. Over the

medium to longer-term there is also no reasonable expectation that ongoing grant funding settlements will alter the need to continue to plan for cost reduction and savings, and to deal with the likelihood of real-terms reductions. Given the ongoing and longer-term implications of capital investment and borrowing, it is important that capital and related decisions are taken in the context of a longer-term view of implications and affordability.

7.6 In June 2024 (Capital Plan Review report), the Council agreed a re-profiled capital programme covering the period up to 2028/29 at a level that the Council considered affordable, prudent and sustainable. The HIP has since been agreed on the same principles and consolidated with the capital programme as shown in the table below. The table reflects the forecast capital investment for the futures years 2029/30-2031/32 inclusive of the approved HIP and an estimated baseline core capital quantum of £41.4m per annum.

Gross capital expenditure	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	2030/31 £000	2031/32 £000	Total £000
Highland Investment Plan (HIP)	160,755	168,235	173,896	136,104	89,190	127,140	855,320
Est. carry forward from 25/26*	37,128	-	-	-	-	-	37,128
Total capital expenditure	**197,883**	**168,235**	**173,896**	**136,104**	**89,190**	**127,140**	**892,448**

Funded by							
Borrowing	155,356	128,792	143,250	112,340	65,660	103,610	709,008
Other Income	17,613	16,203	7,406	524	290	290	42,326
General Capital Grant	24,414	22,740	22,740	22,740	22,740	22,740	138,114
Est Capital Receipts	500	500	500	500	500	500	3,000
Total Funding	**197,883**	**168,235**	**173,896**	**136,104**	**89,190**	**127,140**	**892,448**

*Estimate from Q3 2025/26 capital monitoring report. Final figure will be confirmed following financial year end.

7.7 The Council's Housing Revenue account (HRA) 5-year capital programme (2022 to 2027) was agreed in December 2021. The table below reflects the forecast capital investment for the futures years 2027/28-2030/31 however this is subject to the approval of the next HRA capital programme. The assumptions used for this report, take account of the principles agreed at the Housing and Property Committee of November 2025. Given the need to reduce the loan charge ratio and recognising that future capital investment levels will ultimately be determined by future rent decisions and strategies, the assumptions below may need revisited in future years.

Gross capital expenditure	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	2030/31 £000	Total £000
New builds	49,000	49,000	49,000	49,000	49,000	245,000
Existing homes	22,845	22,203	23,313	23,632	24,856	116,849
Est. carry forward from 25/26*	14,427	-	-	-	-	14,427
Total capital expenditure	**86,272**	**71,203**	**72,313**	**72,632**	**73,856**	**376,276**

Funded by						
Borrowing	55,272	40,203	41,313	41,632	42,856	221,276
Scottish Government Grant	27,000	27,000	27,000	27,000	27,000	135,000
Landbank	4,000	4,000	4,000	4,000	4,000	20,000
Total funding	**86,272**	**71,203**	**72,313**	**72,632**	**73,856**	**376,276**

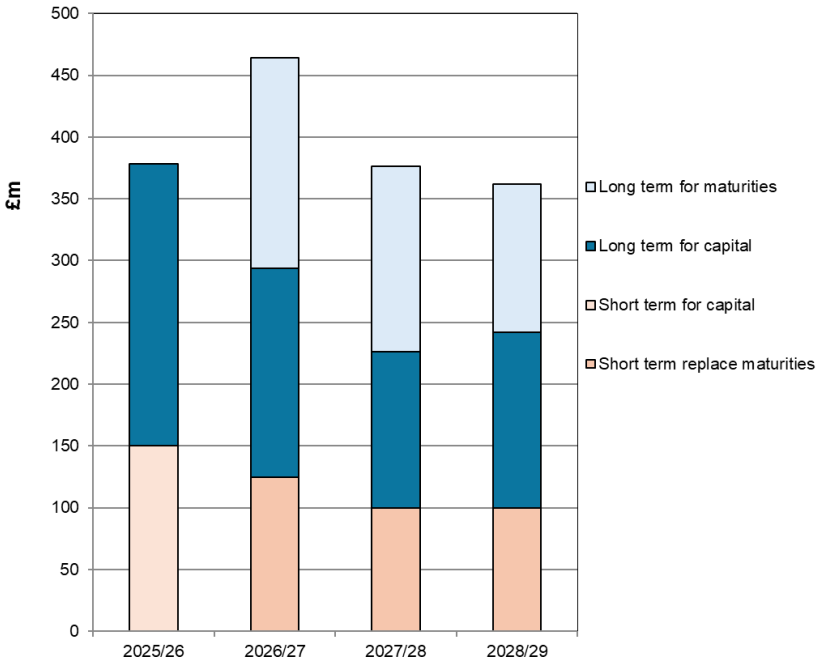
*Estimate from Q3 2025/26 capital monitoring report. Final figure will be confirmed following financial year end.

Prudential indicators in **Appendix 1** have been estimated using this predicted future forecasting which considers the current agreed capital programme as above with the estimated potential future capital spend with capacity subject to future rent increases. Please note that these estimates will be subject to recommendations submitted to Housing & Property Committee as part of the post 2027 HRA capital plan which will also take into account progress against the Highland Housing Challenge.

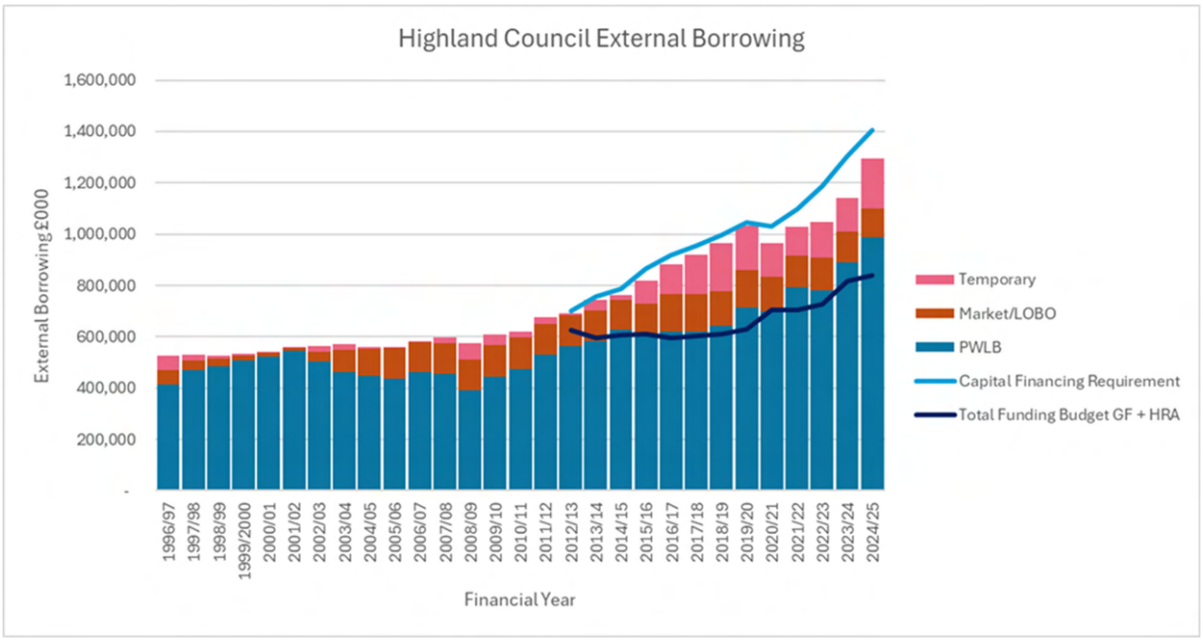
8 Borrowing Requirement

8.1 The following chart sets out the borrowing requirement, showing current year, as well as estimates for future years. The borrowing requirement takes account of borrowing to support the agreed capital programmes, less the projected instalments as capital repayments are charged to revenue accounts through loan charges. This figure is then adjusted to take account of any further borrowing required to go towards the capital financing requirement (CFR), or to replace existing loans maturing in these years. The funding of borrowing between short-term and long-term borrowing will be completed to achieve best value by managing refinancing risk and securing favourable rates and based on an assessment of refinancing risks an internal advisory boundary of £200m will be set on short-term borrowing. Note that the level of 2026/27 planned borrowing remains relatively high as short term borrowing will need to be replaced with longer term but this will be dependent on prevailing rates. In 2026/27 £170m of maturing PWLB will need to be replaced.

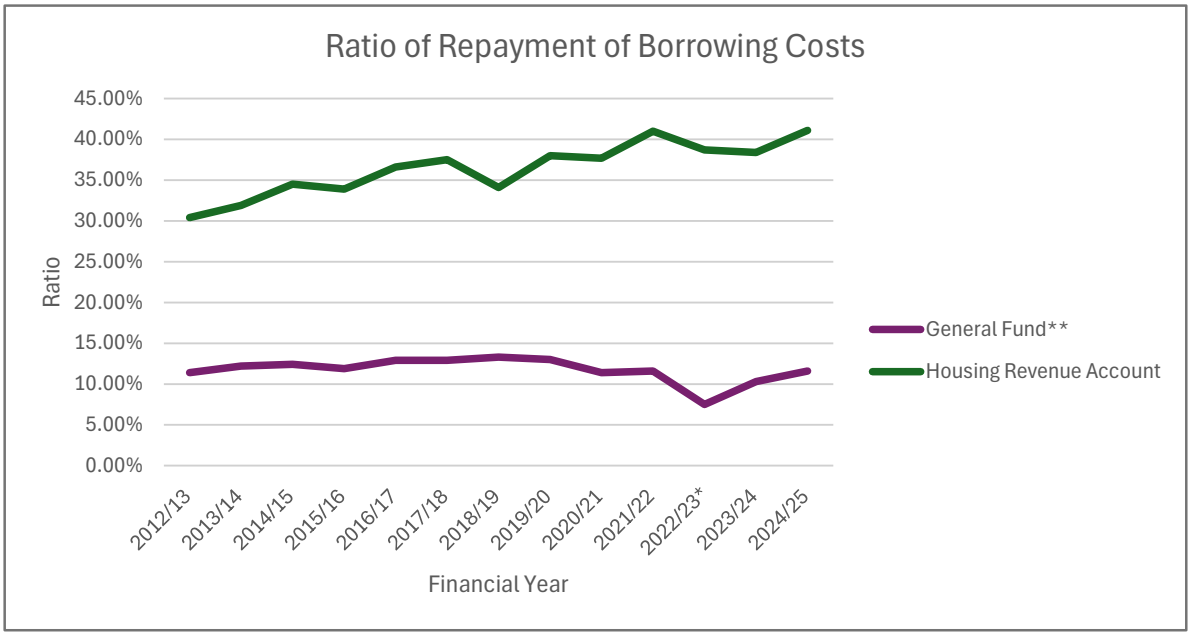
Table 1 Estimates of borrowing (current year and next three years)



8.2 The following graph provides some context to the Council's borrowing levels, showing the movement and trend over time. Prior to the Prudential Code, Council's did not have local discretion in capital and borrowing levels, and these were set and controlled by central government. In the Prudential Code era, as Councils were able to set their own capital limits, capital expenditure and associated borrowing has increased. Movement in the Council's External Borrowing from 1996/97 to 2024/25 is shown in the chart below. Capital Financing Requirement data below is only available from 2012/13 with total GF and HRA funding budgets shown for the same time frame.



The ratio of repayment of borrowing costs relative to revenue funding from 2012/13 onwards is as per the chart below. Indicating that while overall borrowing has increased, the impact on the ratios below is more muted, reflecting that underlying revenue budgets and revenue streams (the denominator in the ratio calculation) have grown over that period also.



*22/23 principal instalment delay flexibility undertaken for General Fund

** The General Fund ratio is the full ratio including PPP/NPD and IFRS16

9. Prudential and Treasury Indicators

9.1 The prudential and treasury Indicators which are relevant for setting an integrated treasury management strategy are in **Appendix 1**. These Indicators are based on the approved capital programmes with forecasts included for future items that will affect them but are unable to be fully quantified at this time, namely the profile of capital spend after approved programme end dates and the impact of IFRS 16 Leases.

9.2 One of the indicators required by the 2021 CIPFA Treasury Management Code is the Debt Liability Benchmark (LB).

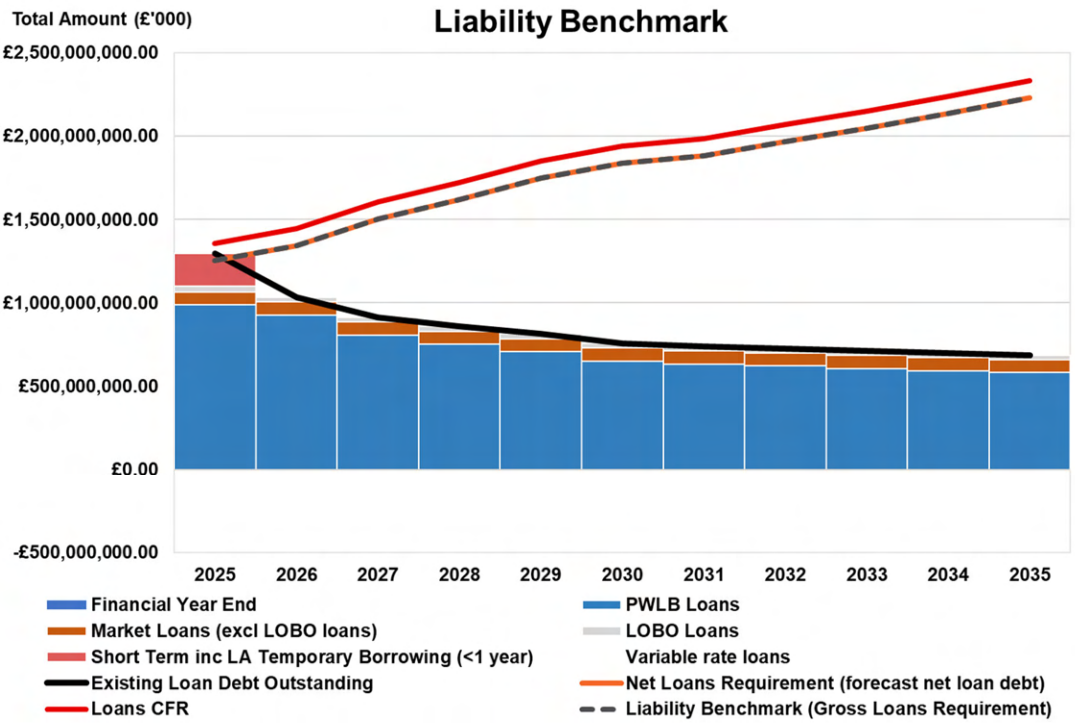
9.3 The LB is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future and so shape its strategic focus and decision making. The LB itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans, while keeping treasury investments at the minimum level required to manage day-to-day cash flow. This is shown in table at section 9.5.

9.4 There are four components to the Liability Benchmark:

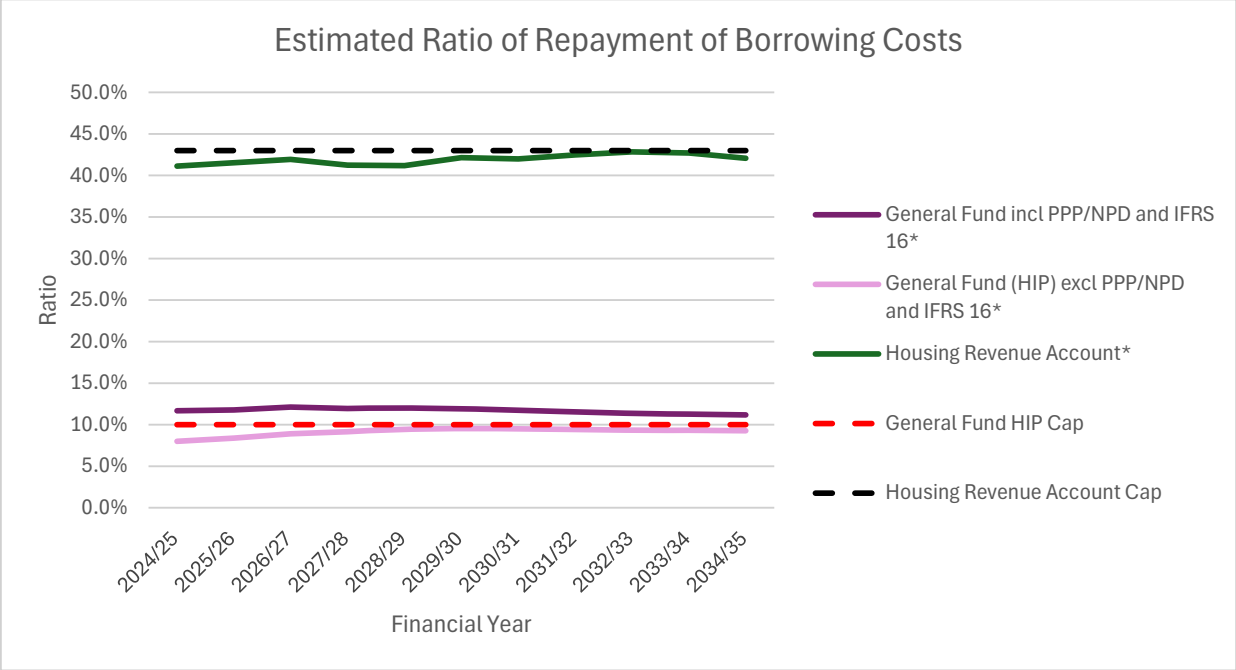
1. Existing loan debt outstanding (black line in graph): the Council's existing loans that are still outstanding in future years.
2. Loans Capital Financing Requirement (CFR) (red line in graph): this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned Loans Fund advances/Loans Fund principal repayments.

3. Net loans requirement (orange dotted line on graph): this shows the Council's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned Loans Fund principal repayments and any other major cash flows (drawdowns/enhancement of reserves) forecast.
4. Liability benchmark (or gross loans requirement) (blue dotted line on graph): this equals net loans requirement plus short-term liquidity/working capital allowance.

9.5 The liability benchmark below indicates that the current maturity profile is less than net loans requirement and the liability benchmark which indicates a borrowing need over the next 10 years. That borrowing requirement is based on a future profile of capital including the Highland Investment Plan, and would be dependent on future funding decisions, including the earmarking of a sum equivalent to 2% council tax each and every year, to fund and sustain that future borrowing level. The terms this borrowing will take will depend on the prevailing rates for long and short-term borrowing and borrowing strategy at the time to obtain best value for the Council.



Due to the Council's ambitious and innovative Highland Investment Plan and HRA capital programme the rise in CFR over the next 10 years is an expected result of this and in order to keep loans charges affordable, prudent and sustainable future capital investment plans are carried out in consideration to agreed caps on the ratio of repayment of borrowing costs relative to revenue funding below (10% for HIP and 43% for HRA).



*capital investment levels after programme end dates have been estimated

Although the future estimated CFR is rising over the next 10 years, the ratio of repayment of borrowing costs above remains forecast within agreed caps and this is because capital investment has been planned so that rises in borrowing costs remain in line with rises in revenue funding as shown in the graphs.

10. Borrowing Strategy

10.1 Over the past few years, the Council has benefitted from lower borrowing costs due to low interest rates by using short term temporary borrowing and internal borrowing (use of existing cash). Interest rates have begun to fall however, and the Council has taken the approach for 2025/26 to replace short-term borrowing with short-dated PWLB with a maturity date of 5 years or less as per the advice of MUFG as the short end of long-term borrowing is offering some relative benefit compared to longer-term rates. While the Council has taken the advice of MUFG the onus of decision-making lies with the Council alone.

As we moved through the year prevailing short and long-term borrowing rates have fallen as expected (in Feb 25, as it transpired, MUFG's forecast for March 26 was correct that Bank Rate would be 3.75% however their longer term 50 year PWLB forecast was 5.10% for March 26 but at the time of writing this report the forecast has increased to 5.60%.) A lack of liquidity in the short-term Market meant a mix of temporary borrowing and short-dated PWLB borrowing was the most prudent one.

10.2 From April 2025 to the time of writing this report, a total of £230m has been borrowed from the PWLB across a range of periods to a maximum of 5 years, and an average rate of 4.46%.

10.3 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and it helps mitigate counterparty risk.

10.4 During 2026/27 the Council will remain flexible in its approach to borrowing to fund the capital programme and replace maturities. The strategy for 2026/27 will be to continue to consider all borrowing options, to manage liquidity, refinancing and interest rate risks and to minimise loan charge interest costs wherever possible.

The Section 95 Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances. Any decisions will be reported to the appropriate committee at the next available opportunity.

The Council will ensure its strategy remains flexible, and will consider new borrowing from the following sources based on prevailing market conditions:

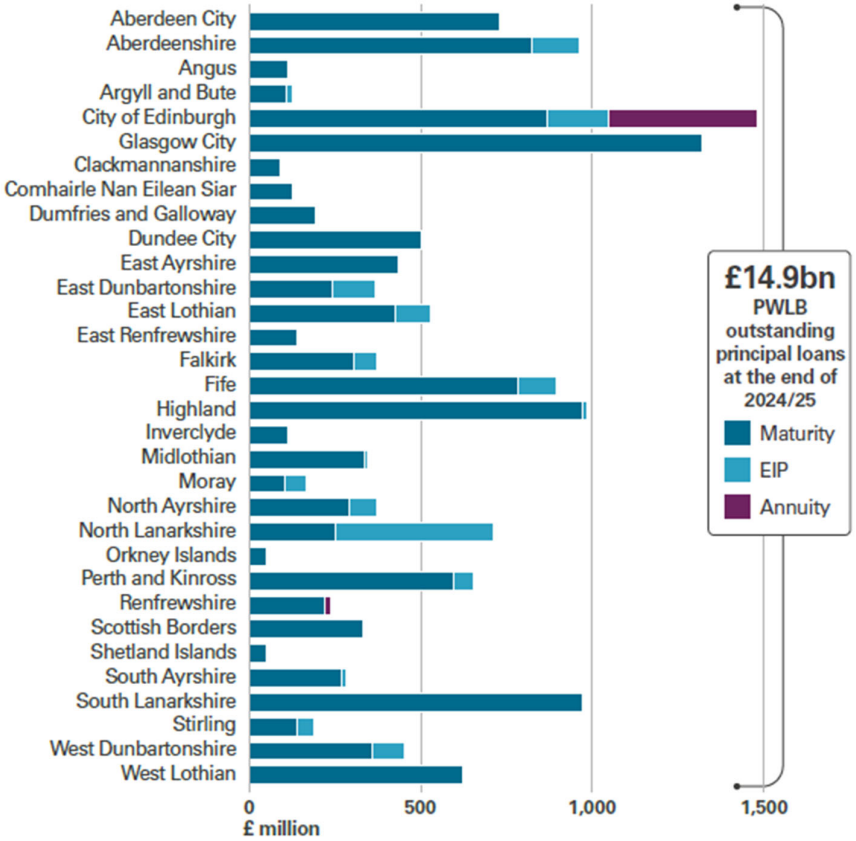
- Short-dated borrowing from non PWLB sources through the Sterling Money Market.
- Appropriately dated PWLB borrowing.
- Long term fixed/variable rate market loans from the Sterling Money Market at rates significantly below PWLB rates for the equivalent maturity period (where available) and to maintaining an appropriate balance between PWLB and market debt in the debt portfolio.
- Consideration of any government supported or promoted lending initiatives, which may offer attractive sources of finance e.g., low-cost borrowing for specific energy efficiency projects.

10.5 In the Accounts Commission's Financial Bulletin for 2024/25 prepared by Audit Scotland, exhibit 11 below contained a breakdown of outstanding PWLB loans by Local Authority. This breakdown shows that the Council's preference of taking PWLB loans on a maturity basis (i.e. full loan value is repaid at the end of the term of the loan, rather than by instalment) is also shared by other Local Authorities in Scotland. This graphic shows total PWLB loans, rather than loans relative to the size of authority, hence quite different levels of loan shown across all 32 Councils.

Exhibit 11.

Scotland's 32 councils had outstanding PWLB loans of £14.9 billion at the end of 2024/25

Loans of over £12.8 billion, around 86 per cent, were taken out on a maturity basis, meaning the amount borrowed will need repaid at the end of each loan.



10.6 Sensitivity of the forecast

In normal circumstances the main sensitivities of the forecast are likely to be the two scenarios noted below. Council officers, in conjunction with the Council's treasury advisers, will continually monitor both prevailing interest rates and market forecasts, adopting the following responses to a change of sentiment:

1. if it were felt that there was a significant risk of a sharp FALL in long and short-term rates, e.g., due to a marked increase of risks around relapse into recession or of risks of deflation, then medium/ long term borrowing will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

2. if it were felt that there was a significant risk of a much sharper RISE in long and short-term rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

10.7 External v. Internal Borrowing

As shown in the table below, the Council's objective is to maintain a level of temporary investments which will ensure a level of available liquid cash. The figures take account of the level of Council reserves and balances, and potential for these to be utilised through planned use or unforeseen events. With this approach, the Council seeks to mitigate re-financing risk, particularly were the Council's reserves to be used.

Comparison of gross and net debt positions at year end.

	2024/25 Actual	2025/26 Revised Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
External Debt (gross)	£1,294.1m	£1,430.1m	£1,598.9m	£1,725.1m	£1,867.2m
Temporary Investments	(£43.2m)	(£50.0m)	(£50.0m)	(£50.0m)	(£50.0m)
External Debt (net)	**£1,250.9m**	**£1,380.1m**	**£1,548.9m**	**£1,675.1m**	**£1,817.2m**

The Table excludes long-term liabilities e.g., PPP/NPD (Public Private Partnership/non-Profit Distributing) schemes and IFRS 16 Leases.

- Another factor in considering the level of investments held is the difference between borrowing rates and investment rates to ensure the Council obtains value for money once an appropriate level of risk management has been attained to ensure the security of its investments and mitigating of re-financing risk.
- A balance between short term and long-term borrowing will be taken to manage interest and refinancing risk and secure value for money.
- The Treasury Team will monitor interest rates, take advice from our treasury advisor, and adopt a pragmatic approach to changing circumstances, reporting any decisions to the Corporate Resources Committee at the next available opportunity.

10.8 Policy on borrowing in advance of need

The Council will not borrow more than, or in advance of, its needs purely to profit from the investment of the extra sums borrowed. In accordance with the revised Code, any decision to borrow in advance will be within the approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated, and that the Council can ensure the security of such funds.

In determining whether borrowing will be undertaken in advance of need the Council will:

1. ensure that there is a clear link between the capital programme and maturity profile of the existing debt portfolio which supports the need to take funding in advance of need.
2. ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered.
3. evaluate the economic and market factors that might influence the manner and timing of any decision to borrow.
4. consider the merits and demerits of alternative forms of funding.
5. consider the prevailing and projected interest rates based on best available information.
6. Consider appropriate maturity profiles of new borrowing.
7. consider the impact of borrowing in advance on temporarily (until required to finance capital expenditure) increasing investment cash balances and the consequent increase in exposure to counterparty & other risks, and the level of such risks given the controls in place to minimise them.

The maximum extent to which borrowing in advance would be undertaken will be based upon the existing and projected capital financial requirement, and existing level of debt.

10.9 It should be noted that as required by the CIPFA Treasury Management Code, Local authorities "*must not borrow to invest for the primary purpose of financial return*." Highland Council does not and has not borrowed to invest for the primary purpose of financial return.

11. Debt Rescheduling

11.1 Debt rescheduling may be undertaken to;

1. generate cash savings and/or discounted cash flow savings.
2. help to fulfil the strategy outlined in section 10 above.
3. enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

11.2 Due to early repayment penalties imposed by the PWLB, current opportunities for debt rescheduling are not cost effective, this position is regularly reviewed. Any rescheduling will be reported to the Corporate Resources Committee, at the earliest meeting following its action.

12. Annual Investment Strategy

12.1 Investment Policy

The Council's investment policy has regard to the Scottish Government's Investments Investment (Scotland) Regulations, (and accompanying Finance Circular), and the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021, (the CIPFA TM Code). The Council's investment priorities will be:

1. **Security**
2. **Liquidity**
3. **Yield**

The Council will aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of this Council is low to give priority to security of its investments.

The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.

The Council's policies in relation to Investment instruments and counterparties identified for use are listed in **Appendices 5, 6, 7, 8 and 9** and explanatory notes on investment types and risks are detailed in **Appendix 10**.

12.2 Environmental, Social and Governance (ESG)

One of the changes to the CIPFA Treasury Management Code 2021 (the Code), was to include ESG in Treasury Management Practice 1. CIPFA set out the requirements as follows but also noted that ESG investment consideration is a developing area:

The organisation's credit and counterparty policies should set out its policy and practices relating to environmental, social and governance (ESG) investment considerations. This is a developing area, and it is not implied that the organisation's ESG policy will currently include ESG scoring or other real-time ESG criteria at individual investment level.

12.3 In the Code, CIPFA recommends the following approach in respect of ESG issues, acknowledging that ESG analysis is less developed for short-term cash deposits (most treasury deposits placed by Highland Council are of short duration):

ESG issues are increasingly significant for investors and investment managers. This is better developed in equity and bond markets than for short-term cash deposits, and there is a diversity of market approaches to ESG classification and analysis. This means that a consistent and developed approach to ESG for public service organisations is currently difficult.

Organisations are therefore recommended to consider their credit and counterparty policies in light of ESG information and develop their own ESG investment policies and treasury management practices consistent with their organisation's own relevant policies, such as environmental and climate change policies.

12.4 As noted in the section 12.7 below, the Council uses the MUFG creditworthiness service which relies on ratings provided by all three rating agencies. ESG risks are considered by the rating agencies alongside more traditional financial risk metrics when assessing counterparties. The assessment of the corporate governance of a counterparty is a key consideration as poor/weak corporate governance can have an immediate impact on the financial outlook of a counterparty. Those financial institutions viewed as having poor/weak corporate governance are generally less well rated in the first instance or have a higher propensity to being subject to negative rating action, and the Council's existing creditworthiness policy will therefore take this into account.

12.5 Environment and Social factors are important and relevant for longer-term, investments (for example equity voting rights can be used to influence company decision making). The Council should note that the key investment priority is **security** of Treasury deposits and placing undue weight on the Environmental and Social factors in the decision-making process could have the unintended consequences of limiting the list of potential counterparty options and decreasing diversification. There is also the risk that by placing deposits with counterparties with stronger ESG performance, other risk factors are not adequately considered.

12.6 The inclusion of ESG criteria remains an area which requires ongoing review. Council officers will work with the Council's treasury advisers MUFG, to monitor and assess any ongoing developments. The methods in which the Council can incorporate ESG factors into our creditworthiness assessment process will be reviewed and officers will report back to Council accordingly.

12.7 <u>Creditworthiness policy</u>

The Council recognises the vital importance of credit-worthiness checks on the counterparties it uses for investments.

This Council uses the creditworthiness service provided by MUFG. This service employs a sophisticated modelling approach with credit ratings from all three rating agencies – Fitch, Moodys and Standard and Poor's. The credit ratings of counterparties are supplemented with credit overlays to provide a colour coded system based on recommended durational band for use of the counterparty.

This Council does not use the approach suggested by CIPFA of using the lowest rating from all three rating agencies to determine creditworthy counterparties. The MUFG creditworthiness service uses a wider array of information than just primary ratings, and using a risk weighted scoring system, does not consider just one agency's ratings.

The MUFG creditworthiness service is used on an advisory basis, with the decision on creditworthiness ultimately resting with the Treasury Team.

12.8 Foreign Exposures/Country limits

In relation to Money Market Funds, only AAA rated Sterling denominated funds will be used.

At present the Council uses mainly UK based institutions for investment (AA- rating) and has determined that it will only use approved counterparties from the UK and from countries with a high credit worthiness.

Examples of the institutions that the Council will invest in include UK banks and building societies, UK Local Authorities, non-UK banks and building societies of high credit worthiness, HM Treasury Debt Management Office.

The Council may consider the use of non-UK counterparties of high credit worthiness. The MUFG rating model is used in the same way as for UK institutions but in addition, only institutions registered in countries with an AAA or AA+ credit rating will be considered. The list of countries where the Council will consider investing is at **Appendix 8**.

12.9 Investment Strategy

In-house funds are mainly cash-flow derived and investments will be made in accordance with cash flow requirements and the outlook for short-term (investments up to 12 months) interest rates.

12.10 Investment return expectations

MUFG's view of interest rates is outlined in section 10. There are risks to these forecasts if interest rates do not move as predicted, e.g. an increase in bank rate would result in higher investment returns while a decrease in bank rate will reduce investment returns.

The Council will avoid locking into longer term deals unless attractive rates are available with counterparties of particularly high creditworthiness which make longer term deals worthwhile and within the risk parameters set.

12.11 End of Year Investment Report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report. Forecasts of investment balances for the next three years are provided in **Appendix 1**.

12.12 Policy on the Use of External Service Providers

The Council recognises that there is value in employing external providers of treasury management services to access specialist skills and resources.

The Council's external Treasury Management advisor is MUFG who were appointed in December 2025 after a successful tendering exercise. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed, are properly agreed and documented, and subject to regular review.

The Council recognises that responsibility for treasury management decisions always remains with the Authority and will ensure that undue reliance is not placed upon our external service providers.

12.13 Treasury Management Responsibilities

The Treasury Management Scheme of Delegation and Role of the Section 95 Officer are at **Appendix 11.**

Designation:	Chief Officer – Corporate Finance
Date:	11 March 2026
Author:	Brian Porter, Chief Officer – Corporate Finance Rachel MacDonald, Principal Accountant
Background Papers:	Treasury Live system reports, MUFG economic forecasts

Appendices

1. Prudential and Treasury Indicators
2. Statutory repayment of loans fund advances
3. Economic Update
4. Treasury Management Policy
5. Permitted Investments – Common Good, Charitable, Educational and Other Trust Funds
6. Permitted Investments – Non-treasury Investments
7. Permitted Investments – Treasury Investments
8. Approved countries for investment
9. Current counter party list as at 23/12/2025
10. Treasury Management Practice 1 (TMP1) Credit and Counterparty Risk Management
11. Treasury Management Scheme of Delegation and Role of the Section 95 Officer
12. Commitment to repay loan fund advances (General Fund)
13. Commitment to repay loan fund advances (HRA)
14. Commitment to repay loan fund advances (HHA)

Prudential and Treasury Indicators Appendix 1

The borrowing set out within the Prudential Indicators is based upon the General Fund capital programme which was reprofiled and approved by Council in June 2024. The Highland Investment Plan (HIP) has since been agreed on the same principles and consolidated with the capital programme. There are also initial estimates in regard to the future impact of IFRS 16 Leases. The 5-year HRA capital plan was approved by the Housing and Property Committee in December 2021. Figures beyond approved capital programme are estimated forecasts.

1. **Indicators for Affordability, Prudence and Capital Expenditure**

Indicator 1 – Capital Expenditure

Gross Capital Expenditure

In absolute terms rather than as a ratio, these show the overall levels of estimated capital investment irrespective of how they are being funded.

	2024/25 Actual	2025/26 Original Estimate	2025/26 Revised Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
General Fund – core capital programme incl carry forward prior years	£174.8m	£134.9m	£165.1m	£147.6m	£67.7m	£47.0m
General Fund – HIP	-	£51.9m	£25.3m	£50.3m	£100.5m	£126.9m
General Fund – IFRS 16 Right of Use Assets	£16.1	-	£5.0m*	£5.0m*	£5.0m*	£5.0m*
HRA	£60.9m	£52.2m	£51.9m	£86.3m	£71.2m	£72.3m
Total Gross Capital	**£251.8m**	**£239.0m**	**£247.3m**	**£289.2m**	**£244.4m**	**£251.2m**
Income						
General Fund – core capital programme	(£77.5m)	(£36.4m)	(£86.1m)	(£42.5m)	(£39.4m)	(£30.6m)
HRA	(£20.3m)	(£16.8m)	(£17.6m)	(£31.0m)	(£31.0m)	(£31.0m)
Total Capital Income	**(£97.8m)**	**(£53.2m)**	**(£103.7m)**	**(£73.5m)**	**(£70.4m)**	**(£61.6m)**

Net Capital Expenditure is the borrowing or funding requirement for new capital investment in each year. (Being Gross capital less income in the table above).

General Fund	£113.4m	£150.4m	£109.3m	£160.4m	£133.8m	£148.3m
HRA	£40.6m	£35.4m	£34.3m	£55.3m	£40.2m	£41.3m
Total	**£154.0m**	**£185.8m**	**£143.6m**	**£215.7m**	**£174.0m**	**£189.6m**

Loan charge instalments

General Fund	(£33.3m)	(£37.8m)	(£34.0m)	(£33.8m)	(£34.3m)	(£33.7m)
HRA	(£10.8m)	(£13.7m)	(£12.2m)	(£12.9m)	(£13.5m)	(£13.8m)
Total	**(£44.1m)**	**(£51.5m)**	**(£46.2m)**	**(£46.7m)**	**(£47.8m)**	**(£47.5m)**

* Work is ongoing on calculating the future impact of this to the Council, as such forecast have been used, see section 6.6

Additional net borrowing in year (being net capital expenditure less loan charge instalments above)

General Fund	£80.1m	£112.6m	£75.3m	£126.6m	£99.5m	£114.6m
HRA	£29.8m	£21.7m	£22.1m	£42.4m	£26.7m	£27.5m
Total	**£109.9m**	**£134.3m**	**£97.4m**	**£169.0m**	**£126.2m**	**£142.1m**

Indicator 2 – Capital Financing Requirement (CFR)

These indicators represent the level of the Council's underlying need to borrow or finance by other long-term liabilities for a capital purpose. This includes past and future borrowing or funding.

	2024/25 Actual	**2025/26 Original Estimate**	**2025/26 Revised Estimate**	**2026/27 Estimate**	**2027/28 Estimate**	**2028/29 Estimate**
General Fund excluding PPP/NPD and IFRS 16	£962.7m	£1,027.4m	£981.2m	£1,102.0m	£1,194.1m	£1,300.7m
PPP/NPD	£149.6m	£178.1m	£210.5m	£207.9m	£205.1m	£202.0m
IFRS 16 Leases*	£16.1m	£35.0m	£17.9m	£19.3m	£20.4m	£21.3m
HRA	£429.3m	£455.4m	£451.4m	£493.3m	£519.4m	£546.1m
Total	**£1,557.7m**	**£1,695.9m**	**£1,661.0m**	**£1,822.5m**	**£1,939.0m**	**£2,070.1m**
Joint Boards	£13.7m	£12.9m	£12.9m	£12.1m	£11.3m	£10.5m
Total CFR (incl Police/Fire) (1)	**£1,571.4m**	**£1,708.8m**	**£1,673.9m**	**£1,834.6m**	**£1,950.3m**	**£2,080.6m**

* Work is ongoing on calculating the future impact of this to the Council, as such forecast have been used, see section 6.6

Treasury Position This indicator shows the expected borrowing position, net of investments.

Gross Borrowing – long term	£1,101.1m	£1,299.2m	£1,280.1m	£1,473.9m	£1,625.1m	£1,767.2m
Gross Borrowing – short term	£193.0m	£150.0m	£150.0m	£125.0m	£100.0m	£100.0m
Total External Borrowing	**£1,294.1m**	**£1,449.2m**	**£1,430.1m**	**£1,598.9m**	**£1,725.1m**	**£1,867.2m**
Other Long-Term Liabilities	£165.7m	£146.0m	£156.4m	£146.1m	£136.9m	£127.6m
Total Gross Debt (2)	**£1,459.8m**	**£1,595.2m**	**£1,586.5m**	**£1,745.0m**	**£1,862.0m**	**£1,994.8m**
Investments	(£43.2m)	(£50.0m)	(£50.0m)	(£50.0m)	(£50.0m)	(£50.0m)
Net Borrowing	**£1,416.6m**	**£1,545.2m**	**£1,536.5m**	**£1,695.0m**	**£1,812.0m**	**£1.944.8m**

Difference between CFR (1) and Total Gross Debt (2)

This indicator shows the difference between the Capital Financing Requirement, and the Estimated Gross Debt. The difference represents an 'under-borrowed' position, with capital financed from internal cash flows.

	2024/25 Actual	2025/26 Original Estimate	2025/26 Revised Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Difference between CFR (1) and Total Gross Debt (2)	£111.6m	£113.6m	£87.4m	£89.6m	£88.3m	£85.8m

Indicator 3 – Authorised Limit for Borrowing

The Authorised Limit is the maximum level of external borrowing which should not be exceeded. The limit is linked to the estimated level of capital financing requirement, with some capacity for variations from that sum e.g. if capital expenditures are exceeded.

Authorised Limit	**2024/25 Actual**	**2025/26 Original Estimate**	**2025/26 Revised Estimate**	**2026/27 Estimate**	**2027/28 Estimate**	**2028/29 Estimate**
Borrowing	£1,305.0m (indicator (£1,391.2m)	£1,596.4m	£1,596.4m	£1,730.8m	£1,845.0m	£1,988.5m
Other Long-Term Liabilities	£165.7m	£146.0m	£156.4m	£146.1m	£136.9m	£127.6m
Total Authorised Limit	**£1,470.7m (indicator £1,556.9m)**	**£1,742.4m**	**£1,752.8m**	**£1,876.9m**	**£1,981.9m**	**£2,116.1m**

Indicator 4 – Operational Boundary for Borrowing

An Operational Boundary is also required which represents the Section 95 Finance Officer's estimate of the day to day limit for the Treasury Management activity based on the most likely i.e. prudent but not worse-case scenario.

Operational Boundary	**2024/25 Actual**	**2025/26 Original Estimate**	**2025/26 Revised Estimate**	**2026/27 Estimate**	**2027/28 Estimate**	**2028/29 Estimate**
Borrowing	£1,305.0m (indicator £1.291.3m)	£1,482.8m	£1,482.8m	£1,641.2m	£1,756.7m	£1,902.7m
Other Long-Term Liabilities	£165.7m	£146.0m	£156.4m	£146.1m	£136.9m	£127.6m
Total Operational Boundary	**£1,470.7m (indicator £1,457.0m)**	**£1,628.8m**	**£1,639.2m**	**£1,787.3m**	**£1,893.6m**	**£2,030.3m**

Indicator 5 – Ratio of financing costs to net revenue stream

These indicators show the capital financing costs (interest charges, the provision for the repayment of debt and the financing of PPP/NPD outstanding capital investment liability) as a percentage of government grant (revenue), Council Tax, Rents and other income. This allows the authority to track how much of its annual income is needed to pay for its capital investment plans and outstanding funding liabilities compared to its day to day running costs.

	2024/25 Actual	2025/26 Original Estimate	2025/26 Revised Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
General Fund including PPP/NPD and IFRS 16	11.6%	10.6%	11.8%	12.1%	12.0%	12.0%
General Fund excluding PPP/NPD and IFRS 16 (*local indicator for HIP with a 10% cap*)	8.0%	8.7%	8.4%	8.9%	9.1%	9.4%
Cap for the above ratio is 10%						
Housing Revenue Account	41.1%	44.5%	41.5%	41.9%	41.2%	41.2%
Cap for the above ratio is 43%						

Indicator 6- Interest rate exposures of debt net of investments

Interest rate exposures of debt net of investments are required to be set in compliance with the Code. This limits the Council's exposure to both fixed and variable interest rate movements as part of the overall risk management strategy for Treasury Management activities. It promotes a prudent strategy aimed to avoid the adverse effects of fluctuating interest rates. The limits are based on the Capital Financing Requirement (CFR) with variable exposures limited to 35% of the CFR.

Interest rate exposures of debt net of investments	2024/25 Actual	2025/26 Original Estimate	2025/26 Revised Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Upper Limit (Fixed)	£1,257.7m (indicator £1,554.3)	£1,708.8m	£1,708.8m	£1,834.7m	£1,950.3m	£2,080.7m
Upper Limit (Variable)	£6.7m (indicator £554.0m)	£598.1m	£598.1m	£642.1m	£682.6m	£728.2m

Maturity structure of fixed rate borrowing during 2026/27

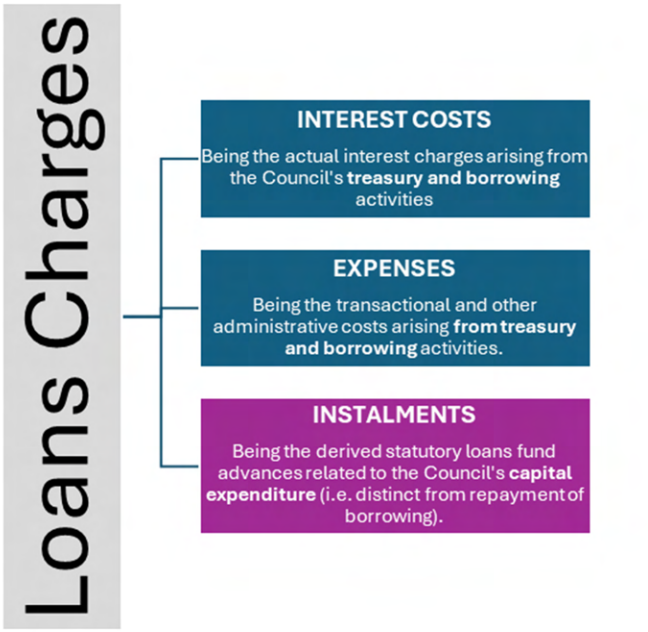
This indicator identifies the amount of debt maturing in specified periods. The overarching principle is that steps should be taken to limit exposure to significant refinancing risk in any short period of time. The Council currently applies the prudent practice of ensuring that no more than 30% of its total gross fixed rate debt matures in any one financial year unless triggered through specific debt restructuring exercises. To facilitate this an internal advisory boundary has been set at the discretion of the Section 95 Officer on temporary borrowing (less than one year) of £200m, this recognises the administrative overhead and refinancing risk of having too high a level of temporary borrowing.

	Upper limit	lower limit
under 12 months	30%	0%
12 months and within 24 months	30%	0%
24 months and within 5 years	40%	0%
5 years and within 10 years	50%	0%
10 years and above	100%	25%

Maximum principal invested for period longer than 365 days The maximum total principal sum which may be invested with a maturity for a period longer than 365 (366 in a leap year) days and within the permitted investment limits is £20m.

Statutory repayment of loans fund advances **Appendix 2**

The revenue implications of borrowing for capital is represented as **loans charges** to Council revenue budgets from two separate and distinct aspects, one related directly to the actual interest and associated costs arising from Council borrowing, the other being accounting entries for the charging of **loans fund advances** which is the Council's capital expenditure at project level, the costs of which are accounted for on a multi-year basis. The diagram below gives a pictorial representation, what is of note is that the **instalment** is an accounting entry based on project **capital** expenditure, rather than related to the loan(s) which fund that capital expenditure, to reflect the requirements of relevant legislation and regulations.



The Council operates a loans fund under the terms of the Local Authority (Capital Finance and Accounting) (Scotland) Amendment Regulations 2024 (the 2024 Amendment Regulations) which came into force on 1 April 2024. The Regulations provide options for the prudent repayment of debt and requires the Council to set out its policy for the statutory repayment of loans fund advances prior to the start of the financial year. The main change within the 2024 Amendment Regulations relate to formalising the rules around repayment periods of new loans fund advances from 1 April 2023 and restricting any variation in these repayment periods in the future as they must reflect the lives of the assets they relate to.

The repayment is the instalment charged to the General Fund/HRA annually. The timing of any external borrowing taken is unlikely to match the capital expenditure in any given financial year. This is because we do not borrow for specific capital projects but rather borrow to finance the overall capital financing requirement. Annual instalment charges ensure that the General Fund and HRA are charged with a prudent amount aligning with the lives of the individual assets relating to these projects.

A variety of options are provided to Councils so long as a prudent provision is made each year.

In February 2019 the Council adopted the following policy on the repayment of loans fund advances:

- For loans fund advances made before 1 April 2016, the policy will be to maintain the practice of previous years and apply the Statutory Method, using a fixed annuity rate.

- For loans fund advances made between 1 April 2016 and 31 March 2023, the policy for the repayment of loans advances will also be the Statutory method, with most loans fund advances being repaid by the Annuity Method. The annuity rate applied to the loans fund repayments will continue to be based on the loans fund rate for the previous year which is calculated using interest paid as a proportion of the outstanding loans fund advances with the same rate applied for the full life of the asset.

- In certain circumstances, such as the provision of interest-bearing loans to HHA, the Council will consider using the Income Method, a new method available under the 2016 regulations. Under this method loans fund advances can be repaid linked to the phasing of income that is anticipated from a particular project. This method will be considered, where appropriate, for commercial, income generating projects.

For loans fund advances made from 1 April 2023 onwards the Council will continue with its current approach as outlined above- namely using the Annuity method with the Income method used as appropriate.

As required by the Local Government Finance Circular 7/2024, the commitment to repay loans fund advances for the General Fund, HRA and HHA are contained in **Appendices 12, 13 and 14.**

The annuity rate applied to the loans fund repayments on capital expenditure incurred before March 2016 is 4.52% for the life of the asset. For financial year 2015/16 onwards, the annuity rate used is the loans fund rate for the year the capital expenditure is incurred which is applied for the full life of the asset.

Economic update (23 December 2025) **Appendix 3**

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, but picked up to 0.1% m/m in August before falling back by 0.1% m/m in September.
- The 3m/yy rate of average earnings growth excluding bonuses has fallen from 5.5% to 4.6% in September.
- CPI inflation has ebbed and flowed but finished September at 3.8%, whilst core inflation eased to 3.5%.
- The Bank of England cut interest rates from 4.50% to 4.25% in May, and then to 4% in August (and subsequently to 3.75% in December).
- The 10-year gilt yield fluctuated between 4.4% and 4.8%, ending the half year at 4.70% (before falling back to 4.43% in early November).

- From a GDP perspective, the financial year got off to a bumpy start with the 0.3% m/m fall in real GDP in April as front-running of US tariffs in Q1 (when GDP grew 0.7% on the quarter) weighed on activity. Despite the underlying reasons for the drop, it was still the first fall since October 2024 and the largest fall since October 2023. However, the economy surprised to the upside in May and June so that quarterly growth ended up 0.3% q/q (subsequently revised down to 0.2% q/q). Nonetheless, the 0.0% m/m change in real GDP in July, followed by a 0.1% m/m increase in August and a 0.1% decrease in September will have caused some concern. GDP growth for 2025 - 2028 is currently forecast by the Office for Budget Responsibility to be in the region of 1.5%.
- Sticking with future economic sentiment, the composite Purchasing Manager Index (PMI) for the UK increased to 52.2 in October. The manufacturing PMI output balance improved to just below 50 but it is the services sector (52.2) that continues to drive the economy forward. Nonetheless, the PMIs suggest tepid growth is the best that can be expected in the second half of 2025 and the start of 2026. Indeed, on 13 November we heard that GDP for July to September was only 0.1% q/q.
- Turning to retail sales volumes, and the 1.5% year-on-year rise in September, accelerating from a 0.7% increase in August, marked the highest gain since April. On a monthly basis, retail sales volumes rose 0.5%, defying forecasts of a 0.2% fall, following an upwardly revised 0.6% gain in August. Household spending remains surprisingly resilient, but headwinds are gathering.
-
- Prior to the November Budget, the public finances position looked weak. The £20.2 billion borrowed in September was slightly above the £20.1 billion forecast by the OBR. For the year to date, the £99.8 billion borrowed is the second highest for the April to September period since records began in 1993, surpassed only by borrowing during the COVID-19 pandemic. The

main drivers of the increased borrowing were higher debt interest costs, rising government running costs, and increased inflation-linked benefit payments, which outweighed the rise in tax and National Insurance contributions.

- Following the 26 November Budget, the Office for Budget Responsibility (OBR) calculated the net tightening in fiscal policy as £11.7bn (0.3% of GDP) in 2029/30, smaller than the consensus forecast of £25bn. It did downgrade productivity growth by 0.3%, from 1.3% to 1.0%, but a lot of that influence was offset by upgrades to its near-term wage and inflation forecasts. Accordingly, the OBR judged the Chancellor was going to achieve her objectives with £4.2bn to spare. The Chancellor then chose to expand that headroom to £21.7bn, up from £9.9bn previously.
- Moreover, the Chancellor also chose to raise spending by a net £11.3bn in 2029/30. To pay for that and the increase in her headroom, she raised taxes by £26.1bn in 2029/30. The biggest revenue-raisers were the freeze in income tax thresholds from 2028/29 (+£7.8bn) and the rise in NICs on salary-sacrifice pension contributions (+£4.8bn). The increase in council tax for properties worth more than £2.0m will generate £0.4bn.
- The weakening in the jobs market looked clear in the spring. May's 109,000 m/m fall in the PAYE measure of employment was the largest decline (barring the pandemic) since the data began and the seventh in as many months. The monthly change was revised lower in five of the previous seven months too, with April's 33,000 fall revised down to a 55,000 drop. More recently, however, the monthly change was revised higher in seven of the previous nine months by a total of 22,000. So instead of falling by 165,000 in total since October, payroll employment is now thought to have declined by a smaller 153,000. Even so, payroll employment has still fallen in nearly all the months since the Chancellor announced the rises in National Insurance Contributions (NICs) for employers and the minimum wage in the October 2024 Budget. The number of job vacancies in the three months to November 2025 stood at 729,000 (the peak was 1.3 million in spring 2022). All this suggests the labour market continues to loosen, albeit at a slow pace.

- A looser labour market is driving softer wage pressures. The 3m/yy rate of average earnings growth excluding bonuses has fallen from 5.5% in April to 4.6% in September (still at that level in November). The rate for the private sector has slipped just below 4% as the year end approaches.
- CPI inflation remained at 3.8% in September but dropped to 3.2% by November. Core inflation also fell to 3.2% by November while services inflation fell to 4.4%. Nonetheless, a further loosening in the labour market and weaker wage growth may be a requisite to UK inflation coming in below 2.0% by 2027.
- An ever-present issue throughout recent months has been the pressure being exerted on medium and longer dated gilt yields. The yield on the 10-year gilt moved sideways in the second quarter of 2025, rising from 4.4% in early April to 4.8% in mid-April following wider global bond market volatility stemming from the "Liberation Day" tariff announcement, and then easing back as trade tensions began to de-escalate. By the end of April, the 10-year gilt yield had returned to 4.4%. In May, concerns about stickier inflation and shifting expectations about the path for interest rates led to another rise, with the 10-

year gilt yield fluctuating between 4.6% and 4.75% for most of May. Thereafter, as trade tensions continued to ease and markets increasingly began to price in looser monetary policy, the 10-year yield edged lower, and ended June at 4.50%.

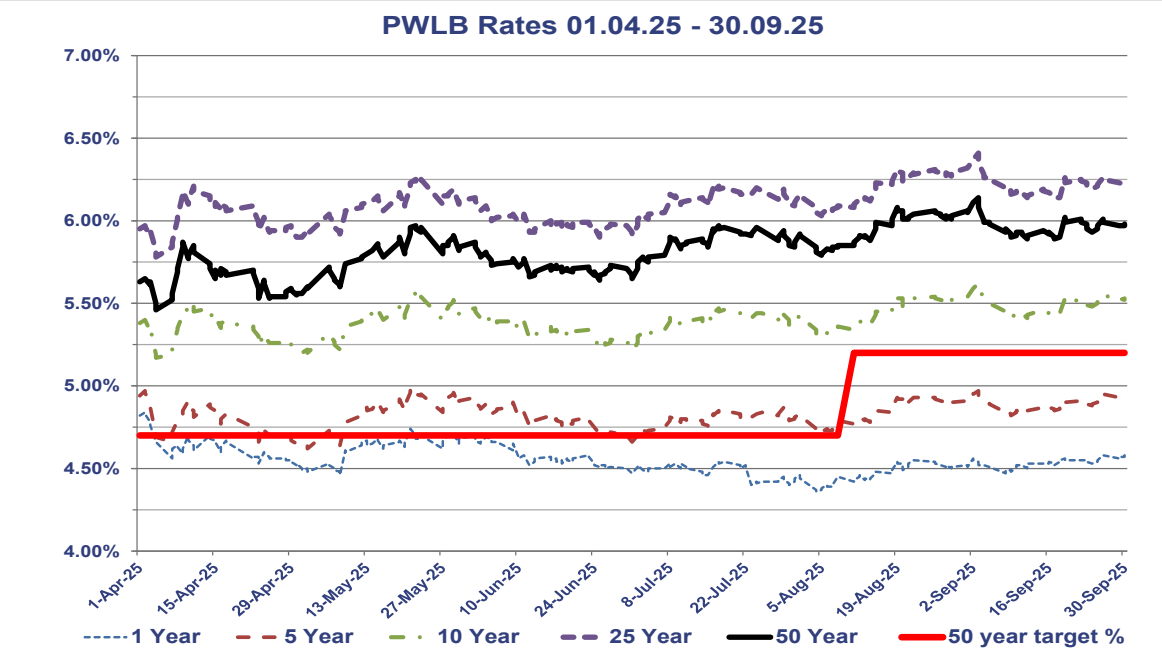
- More recently, the yield on the 10-year gilt rose from 4.46% to 4.60% in early July as rolled-back spending cuts and uncertainty over Chancellor Reeves' future raised fiscal concerns. Although the spike proved short lived, it highlighted the UK's fragile fiscal position. In an era of high debt, high interest rates and low GDP growth, the markets are now more sensitive to fiscal risks than before the pandemic. During August, long-dated gilts underwent a particularly pronounced sell-off, climbing 22 basis points and reaching a 27-year high of 5.6% by the end of the month. While yields have since eased back, the market sell-off was driven by investor concerns over growing supply-demand imbalances, stemming from unease over the lack of fiscal consolidation and reduced demand from traditional long-dated bond purchasers like pension funds. For 10-year gilts, by late September, sticky inflation, resilient activity data and a hawkish Bank of England kept yields elevated over 4.70% although by late December had fallen back again to a little over 4.50%.
- The FTSE 100 fell sharply following the "Liberation Day" tariff announcement, dropping by more than 10% in the first week of April - from 8,634 on 1 April to 7,702 on 7 April. However, the de-escalation of the trade war coupled with strong corporate earnings led to a rapid rebound starting in late April. As a result, the FTSE 100 ended June at 8,761, around 2% higher than its value at the end of March and more than 7% above its level at the start of 2025. Since then, the FTSE 100 has enjoyed a further 4% rise in July, its strongest monthly gain since January and outperforming the S&P 500. Strong corporate earnings and progress in trade talks (US-EU, UK-India) lifted share prices and the index hit a record 9,321 in mid-August, driven by hopes of peace in Ukraine and dovish signals from Fed Chair Powell. September proved more volatile and the FTSE 100 closed September at 9,350, 7% higher than at the end of Q1 and 14% higher since the start of 2025. Future performance will likely be impacted by the extent to which investors' global risk appetite remains intact, Fed rate cuts, resilience in the US economy, and AI optimism. A weaker pound will also boost the index as it inflates overseas earnings. In early November, the FTSE100 climbed to a record high just above 9,900. By late December, the index had clung on to most of those gains standing at 9,870 on 23 December.

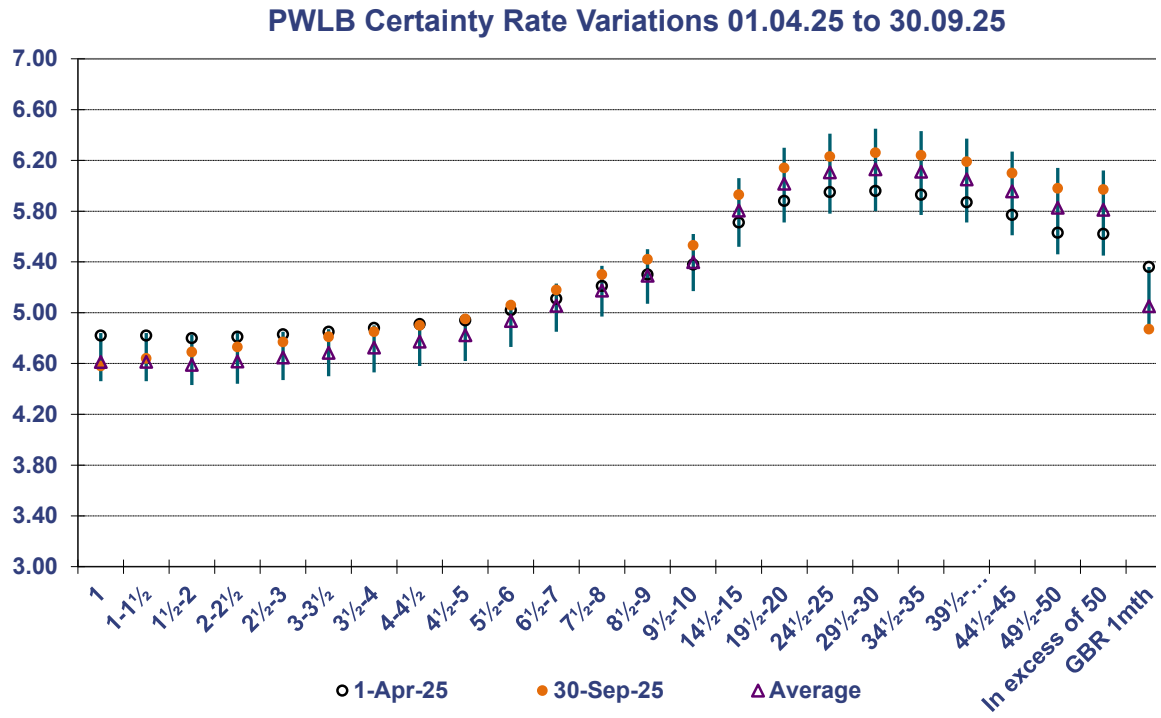
MPC meetings: **8 May, 19 June, 7 August, 18 September, 6 November, 8 December 2025**

- There were six Monetary Policy Committee (MPC) meetings held between April and December. In May, the Committee cut Bank Rate from 4.50% to 4.25%, while in June policy was left unchanged. In June's vote, three MPC members (Dhingra, Ramsden and Taylor) voted for an immediate cut to 4.00%, citing loosening labour market conditions. The other six members were more cautious, as they highlighted the need to monitor for "signs of weak demand", "supply-side constraints" and higher "inflation expectations", mainly from rising food prices. By repeating the well-used phrase "gradual

and careful", the MPC continued to suggest that rates would be reduced further.

- 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, with the accompanying commentary noting the decision was "finely balanced" and reiterating that future rate cuts would be undertaken "gradually and carefully". Ultimately, Governor Bailey was the casting vote for a rate cut but with the CPI measure of inflation expected to reach at least 4% later this year, the MPC was wary of making any further rate cuts until inflation begins its slow downwards trajectory back towards 2%.
- 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% (Dhingra and Taylor voted for a further 25bps reduction). Moreover, the Bank also took the opportunity to announce that they would only shrink its balance sheet by £70bn over the next 12 months, rather than £100bn. The repetition of the phrase that "a gradual and careful" approach to rate cuts is appropriate suggested the Bank still thought interest rates will fall further.
- At the 6 November meeting, Governor Bailey was once again the deciding vote, keeping Bank Rate at 4% but hinting strongly that a further rate cut was imminent if data supported such a move. By 18 December, with November CPI inflation having fallen to 3.2%, and with Q2 GDP revised down from 0.3% q/q to only 0.2% q/q, and Q3 GDP stalling at 0.1%, the MPC voted by 5-4 to cut rates further to 3.75%. However, Governor Bailey made it clear that any further reductions would require strong supporting data, and the pace of any further decreases would be slow compared to recent months. The markets expect Bank Rate to next be cut in April.





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%

Addition information added 06/03/26

The start of the Middle East conflict puts a genuine upside risk to the inflation forecast and as a result will impact on the path of interest rates. At the moment it is too early to predict the extent of the impact although it is true to say that the longer the conflict goes on the bigger the impact on oil and gas prices and resulting inflation meaning the bank rate will be held where it is or even increased in the event of a prolonged period of energy disruption. The wider bond market will see higher volatility and upside pressure as a result.

Treasury management policy **Appendix 4**

1.1 Treasury management is defined as:

"*The management of the local authority's borrowing, 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*."

1.2 The Council regards the successful identification, monitoring and control of risk to be key to the effectiveness of its treasury management activities. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council, and any financial instruments entered into to manage these risks.

1.3 The Council acknowledges that effective treasury management will support the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

Investment policy

2.1 The Council's investment policy has regard to the Local Government Investment (Scotland) Regulations (and accompanying finance circular) and the 2021 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, and then yield.**

2.2 The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of this Council is low in order to give priority to security of its investments. The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.

2.3 The Council's Treasury Management Advisors provide a creditworthiness matrix to aid the assessment of the risk involved in lending to individual counterparties.

2.5 The Council's detailed policies in relation to Investment instruments and counterparties identified for use in the financial year are listed in **Appendices 5-9** and explanatory notes on investment types and risks are detailed in **Appendix 10**.

Borrowing policy

3.1 The Council will ensure its strategy remains flexible, and will give consideration to new borrowing from the following sources based on prevailing market conditions:

1. Short-dated borrowing (for a period of 365 days or less, 366 in a Leap Year) from non PWLB sources through the Sterling Money Market.
2. Appropriately dated PWLB borrowing.
3. Long term fixed rate market loans (for a period greater than 365 days, or 366 in a leap year) from the Sterling Money Market at rates significantly below PWLB rates for the equivalent maturity period (where available) and to maintaining an appropriate balance between PWLB and market debt in the debt portfolio.

4. Consideration of any government supported or promoted lending initiatives, which may offer attractive sources of finance e.g., low-cost borrowing for specific energy efficiency projects.

Permitted Investments – Common Good, Charitable, Educational and Other Trust Funds **Appendix 5**

The Council approves the following forms of investment instruments for use as permitted investments for these Funds as set out in the Table below (these include internally and externally managed funds):

Investments

<table>
<tr><th></th><th>Minimum Credit Criteria</th><th>Liquidity risk</th><th>Market risk</th><th>Max % of total investment</th><th>Max. maturity period</th></tr>
<tr><td>Cash deposits – local authorities, banks, building societies and cash funds such as money market funds</td><td rowspan="6">Relevant parameters as per specific investment mandates and/or specific trust deeds</td><td>term</td><td>yes</td><td colspan="2" rowspan="6">Relevant parameters as per specific investment mandates and/or specific trust deeds</td></tr>
<tr><td>Equities – UK and Overseas</td><td>term</td><td>yes</td></tr>
<tr><td>Fixed Income, Index Linked Bonds, Unit Trusts</td><td>term</td><td>yes</td></tr>
<tr><td>War Stock</td><td>term</td><td>no</td></tr>
<tr><td>Alternative Investments - Property</td><td>term</td><td>yes</td></tr>
</table>

Permitted Investments – Non-Treasury Investments **Appendix 6**

Definition of non-treasury investments

Regulation 9 of the Local Government Investment (Scotland) Regulations 2010 adds to the normal definition of investments the following categories: -

- All shareholding, unit holding and bond holding, including those in a local authority owned company, is an investment;
- Loans to a local authority company or other entity formed by a local authority to deliver services, is an investment;
- Loans made to third parties are investments;
- Investment property is an investment.

However, the following loans are excluded from the definition of investments: -

1) Loans made by a local authority to another authority or harbour authority using powers contained in Schedule 3, paragraph 10 or 11 of the Local Government (Scotland) Act 1975.

Permitted Investments – Non-Treasury Investments

The Council approves the following forms of investment instruments for use as permitted investments for Non-Treasury Investments as set out in the Table below:

Investments

	Minimum Credit Criteria	**Liquidity risk**	**Market risk**	**Max % of total investments**	**Max. maturity period**
Loans to Companies, including Local Authority owned.	See Regulation Notes below	term	no	See Regulation requirements and current approvals below.	
Shares and Bonds in Companies, including Local Authority owned. (see note 5)		term	no		
Loans to Third Parties including investments in sub-ordinated debt (see note 1, 2 and 3).		instant	no		
Local Authority Investment Properties.		term	no		
Other Investment Deposits (see note 4)		term	no		

Regulation 24. A local authority shall state the limits for the amounts which, at any time during the financial year, may be invested in each type of permitted investment, such limit being applied when the investment is made. The limits may be defined by reference to a sum of money or a percentage of the local authority's overall investments, or both. A local authority may state that a permitted investment is unlimited. Where a limit is not placed on

any type of permitted investment the risk assessment must support that categorisation and an explanation provided as to why an unlimited categorisation is recommended.

Regulation 25. The local authority should identify for each type of permitted investment the objectives of that type of investment. Further, the local authority should identify the treasury risks associated with each type of investment, together with the controls put into place to limit those risks. Treasury risks include credit or security risk of default, liquidity risk – the risks associated with committing funds to longer term investments and market risk – the effect of market prices on investment value.

Regulation 32. The Strategy shall include details of the maximum value and maximum periods for which funds may prudently be invested. The Strategy shall set out the local authority objectives for holding longer term investments. The Strategy shall also refer to the procedures for reviewing the holding of longer-term investments particularly those investments held in properties, shareholdings in companies or joint ventures.

The policy above, and requirements of regulations 24, 25 and 32, will be considered, and reported to members, as part of any report pertaining to new investment proposals.

In Part 1, section 12 of the Regulations, Consent includes as an investment any loan issued to a third party. Such loans are neither capital nor revenue transactions but are often made for Service reasons and for which specific statutory provision exists. For Service reasons these loans may be offered at an interest rate below the market rate. All loans to third parties are classified as investments for the purposes of the Consent. Where the loan is advanced at less than a market interest rate there is an associated loss of investment return which would otherwise have been earned on these monies. The Council's Annual Accounts will recognise and present all loans to third parties as investments.

This Council will refrain from issuing loans to third parties at less than market rate. If, in exceptional circumstances, the Council agrees to issue a loan/s to third parties at less than market rate the associated loss of investment return will be chargeable to the budget of the sponsoring Service. In circumstances where investment risk is a predominant factor the rate chargeable will reflect the equivalent market rate where this is greater than the Council's Loans Fund's most recent actual average interest rate. In all other cases the interest rate chargeable will be the Council's Loans Fund's most recent actual average interest rate.

Current Approvals

Note 1 – Subordinated Debt – the Highland Council, on 25 October 2012, agreed to permit an investment, at a maximum level of £1m for all current and future investments, for a maximum maturity period of 25 years, in 'Hub Co' projects.

Note 2 – Land banking Fund and Loan Advances to Registered Social Landlords (RSLs) – the Council has for many years operated a 'land bank fund'. The fund is used to provide loans and grants to partner organisations (including RSLs), enabling strategic sites to be secured or prepared for development of housing. The Land bank Fund is a revolving facility with loans repaid as land and property is resold or developed.

Note 3 – In addition to the above interest-bearing loans have been provided to Highland Housing Alliance at competitive rates since 2015 to fund the provision of affordable housing in line with the Councils strategy and as agreed per loan by the Housing and Property Committee funded by prudential borrowing. A total investment limit of £80.0m is to be agreed within this report for loans of this nature and at 31/03/25 £50.0m of this limit had been extended.

Note 4 – From May 2005 The Council has held £1.175m of unsecured loan stock in Inverness Airport Business Park Ltd (IABP). Under the Loan Stock Instrument IABP can exercise a right to defer the repayment due to be made to the Council in May 2010 and in May 2015. IABP have exercised this right on both repayment dates so the full amount of Loan Stock due to the council remains outstanding. To reflect the credit risk of this repayment due to its timing uncertainty an impairment loss allowance has been created which reduces the value of this investment shown in the Council's annual accounts to zero. Full repayment is still due to the Council in the future.

Note 5 –The Council purchased 100% of the shareholding in D&E Coaches on 31 January 2025. Following this the Council continues to explore new and innovative ideas for potential opportunities for non-treasury investments in areas such as renewables, income generation and operational service delivery to further the Council's strategy in those areas.

The acquisition of D&E Coaches was to further the Council's strategy regarding ensuring the provision of affordable school and public transport in the Highlands. As a standalone limited company, it will be subject to market conditions and the risks inherent, these being mitigated through the measures as detailed in the Full Business Case relating to the acquisition. D&E Coaches will initially, and subject to ongoing strategic review, be separate from the Council as one of its group entities however as the owner the Council will be subject to the risks of any downwards revaluations which would result in a decrease of General Fund balance available for use. This being mitigated through the limiting of these types of investments held to be no more than the actual or forecast level of General Reserves on 1 April of the year to which this Strategy relates to absorb any short-term impairment losses which could arise. This limit is equivalent to 3% of the current annual revenue budget and will be £25.0m for 2026/27.

Based on current company profitability and the strategic vision to grow and expand Council bus operations, there is a reasonable prospect of the value of this investment being expected to grow long-term as the Council seeks to realise the strategic benefits from the acquisition.

The Council intends to short-term own and manage the D&E investment on a status quo (arm's length limited company) basis and ultimately the objectives are a long-term vision for Council bus operations.

Investments of this nature are funded from cash reserves with an upper investment limit linked to available capacity of retained non-earmarked General Fund reserves at the time of acquisition and therefore carry no ongoing purchase financing costs. This limit will update yearly based on the prior year's data and is subject to decrease should the Council not retain in non-earmarked reserves a minimum 3% of the annual revenue budget, current limits are as per the table below.

	£m
Limit on Investment	25.0
<u>Investments</u>	
D&E Coaches Ltd	6.1

Within cap by the value of	18.9

Permitted Investments – Treasury Investments **Appendix 7**

The Council's policy in relation to permitted investments is a three-stage process as summarised below.

1. Only use of permitted investments per the investment strategy is allowed. See **Appendix 9** for definition of the different types of investment.
2. Credit-worthiness of counterparties will be assessed having taken advice from the Council's treasury management advisers, MUFG. Maximum maturity periods for individual counterparties will be based upon advice from the Adviser, with limits on treasury investments > 365 days as per the prudential indicators and shown below.
3. Counter-party limits, as set out within the investment strategy will be applied.

The following sections explain each aspect of the 3-stage process in further detail.

Stage 1 - Permitted Investments

The Council approves the following forms of investment instruments for use as permitted treasury management investments as set out in the Tables below. While there is a maximum permitted maturity period set out in the Tables, the actual maturity period will be based on an assessment of risk as part of the credit-worthiness assessment (see stage 2).

In relation to Money Market Funds, only AAA rated Sterling denominated funds will be used.

In relation to all other counterparties, the Council will mainly use UK based institutions, but where non-UK counterparties of high credit worthiness are available these may be used. In determining whether a counterparty is UK or non-UK, entities are classified under where their primary regulator is based. The list of countries where the Council can invest are at **Appendix 8**. For example, UK banks and building societies, UK Local Authorities, non-UK banks and building societies of high credit worthiness, HMT Treasury Debt Management Office.

a. Deposits (UK institutions only)

	Minimum Credit Criteria	**Liquidity risk**	**Market risk**	**Max % of total investments** (Stage 2 Below)	**Max. maturity period**
Debt Management Agency Deposit Facility	UK sovereign rating	term	no	**100**	**6 mths**
Term deposits – local authorities	N/A	term	no	**100**	**2 yrs**
Term deposits – banks and building societies	See Stage 2 below	term	yes	**100**	**2 yrs**
Call accounts – banks and building societies	See Stage 2 below	instant	yes	**100**	**1 yr**

b. Deposits with counterparties currently in receipt of government support/ownership (UK institutions only)

	Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments (Stage 2 Below)	Max. maturity period
UK nationalised banks	See Stage 2 Below	term	limited	**100**	**2 yrs**
Term deposits – banks and building societies	See Stage 2 below	term	limited	**100**	**2 yrs**
UK Government support to the banking sector (implicit guarantee)	See Stage 2 below	term	limited	**100**	**2 yrs**

c. Collective investment schemes structured as Open-Ended Investment Companies (OEICs) Sterling Deposits Only

	Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Government Liquidity Funds CNAV	AAA	Instant	very low	**100**	**1 year**
Money Market Funds LVNAV	AAA	Instant	very low	**100**	**1 year**
Money Market Funds VNAV	AAA	Instant	very low	**100**	**1 year**

Note 1 – Money Market Funds (MMF): These funds invest across a wide spread of short-term instruments such as Government/Treasury issues, short-term corporate paper and Certificates of Deposits. By keeping a short timeframe, these funds attempt to reduce risk. The objective of these Funds is to maintain the net asset value, but they hold assets which can vary in value. Each MMF is treated as a single counterparty in relation to counter-party limits.

Note 2 - If forward deposits are to be made, the forward period plus the deal period will not exceed one year in aggregate.

Note 3 Liquidity risks – **Instant** = no risk; funds are immediately accessible, **Term** = higher liquidity risk due to funds being locked in for a defined period.

Note 4 Market Risk – the effect of Market prices on investment value

Stage 2 – Credit worthiness policy and assessment

This Council uses the creditworthiness service provided by MUFG. This service employs a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

1. credit watches and credit outlooks from credit rating agencies
2. Credit Default Swaps (CDS) spreads to give early warning of likely changes in credit ratings
3. sovereign ratings to select counterparties from only the most creditworthy countries

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative

creditworthiness of counterparties. These colour codes are also used by the Council to determine the duration for investments.

- All credit ratings are monitored from a weekly list which may be updated daily by MUFG. The Council is alerted to changes to ratings of all three agencies as these occur through its use of the MUFG creditworthiness service.
- if a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, immediate consideration will be given to whether funds should be withdrawn from this counterparty and the timescale for doing this.
- in addition to the use of Credit Ratings the Council has access to information in movements in Credit Default Swap against the iTraxx benchmark and other market data daily via its Passport website and will be advised by MUFG of any extreme market movements that result in downgrade of an institution or removal from the Councils lending list.

Based on the MUFG approach, the Council will use counterparties within the following durational bands:

Yellow	5 years *
Dark pink	5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
Light pink	5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
Purple	2 years
Blue	1 year (only applies to nationalised or semi nationalised UK Banks)
Orange	1 year
Red	6 months
Green	100 days
No Colour	Not for use

* the yellow colour category is for UK Government debt, or its equivalent, money market funds and collateralised deposits where the collateral is UK Government debt.

Sole reliance will not be placed on the use of this external service. In addition, the Council will also use market data and market information, information on government support for banks and the credit ratings of that government support.

In relation to Money Market Funds, the Council will use MUFG's Weekly Investment report, and other regular updates, to ensure its MMF counterparties meet the minimum credit criteria described in the table above.

As set out within the Prudential Indicators, a limit is set on the value of Treasury Investments which can be invested for more than 365 days. The limit is £20m, which represents the maximum sum invested for longer than 365 days. Though the period of investment must be decided using MUFG credit ratings and maximum limits in permitted investments.

Stage 3 – Counter-party Limits

The limits described below apply to the Council's treasury management operations. Separate limits apply for the Highland Council Pension Fund, with Highland Council limits relating to all operations excluding the Pension Fund. If for unavoidable short-term operational reasons, limits are breached this will be communicated to management at the earliest opportunity.

Due to market volatility in treasury management investments and varying levels of investment it is possible that at any time in the year one category of investment could represent 100% of the portfolio although it is likely that investments will carry greater diversification than this.
No more than £20m can be invested with any single counterparty, with the exception of the nationalised or semi nationalised UK banks (see section B above) where no more than £25m can be invested in each bank.

The Council will place overnight and call deposits with the Council's bankers irrespective of credit rating. The limit on placing call deposits with the Council's bankers is currently £20m for the Highland Council bank accounts.

For The Highland Council Pension Fund the limit on placing call deposits with the Council's bankers is currently £20m. The Pension Fund may also use other suitable counterparties, with a £20m limit applying to each.

Approved countries for investment (as at 23 December 2025) **Appendix 8**

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the MUFG creditworthiness service.

Based on lowest available rating

AAA

1. Australia
2. Denmark
3. Germany
4. Netherlands
5. Norway
6. Singapore
7. Sweden
8. Switzerland

AA+

1. Canada
2. U.S.A.

AA

1. Abu Dhabi (UAE)
2. Finland
3. Qatar

AA-

1. **U.K**.

A+

1. Belgium
2. France

Current counter party list as at 23/12/2025 **Appendix 9**

The following table is for use by the in-house treasury management team and is a list of current counterparties used. However, the use of counterparties depends on credit ratings, and the Council may stop using certain counterparty's and/or decide to use alternative counterparties within its permitted investments. If for unavoidable short-term operational reasons, limits are breached this will be communicated to management immediately.

	At time of investment use MUFG current Credit Rating using Weekly Credit List & any inter-week amendments	Maximum Duration per TMSS (would refer to MUFG current credit rating before placing deposit)	Investment limits	
			Highland Council	Highland Council Pension Fund (note 1)
Government Backed Deposits				
Debt Management Agency Deposit Facility	Yellow (60 mths)	6 mths	Unlimited	Not used
Deposits with Counterparties currently in receipt of Government Support/Ownership				
Nil	Nil	Nil	Nil	Nil
Term deposits (*restricted to £20m invested >365 days*)				
Term deposits – local authorities	Purple (2 years)	2 years	£20m	Not used
Term deposits – banks and building societies (UK only)	Varies	2 years	£20m	Not used
Bank of Scotland	O (12 mths)	1 year	£20m	Not used
Call accounts				
Virgin Money, previously Clydesdale Bank (Council's Banker)	Red (6 mths)	1 year	£20m	£20m
Barclays	Red (6 mths)	1 year	£20m	Not used
Santander	Red (6 mths)	1 year	£20m	Not used
Svenska Handelsbanken	Orange (12 mths)	1 year	£20m	£20m
Money Market Funds				
Abrdn Liquidity Solutions	AAA	1 Year	£20m	Not used
Insight Asset Management	AAA	1 Year	£20m	Not used
Blackrock Asset Management	AAA	1 Year	£20m	Not used
Northern Trust	AAA	1 Year	£20m	Not used

Note 1 – the Pension Fund currently uses a limited number of counterparties as shown above. In line with the limits detailed on **appendix 7**, additional counterparties could be considered up to the limits stipulated.

Appendix 10 Treasury Management Practice 1 (TMP1) Credit and Counterparty Risk Management

Type of Permitted Investment	Treasury Risks	Mitigating Controls
1. Deposits with the Debt Management Account Facility (UK Government) (**Very low risk)**	This is a deposit with the UK Government and as such counterparty and liquidity risk is very low, and there is no risk to value. Deposits can be between overnight and 6 months.	Little mitigating controls required. As this is a UK Government investment the monetary limit is unlimited to allow for a safe haven for investments.
2. Deposits with other local authorities or public bodies **(Very low risk)**	These are considered quasi UK Government debt and as such counterparty risk is very low, and there is no risk to value. Liquidity may present a problem as deposits can only be broken with the agreement of the counterparty, and penalties can apply. Deposits with other non-local authority bodies will be restricted to the overall credit rating criteria.	Little mitigating controls required for local authority deposits, as this is a quasi UK Government investment. Non-local authority deposits will follow the approved credit rating criteria.
3. Money Market Funds (MMFs) **(Very low risk)** CNAV, LVNAV, VNAV	Pooled cash investment vehicle which provides very low counterparty, liquidity and market risk. These will primarily be used as liquidity instruments.	Funds will only be used where the MMFs have a "AAA" rated status from either Fitch, Moody's or Standard and Poor's.
4. Ultra short dated bond funds **(low risk)**	Pooled cash investment vehicle which provides very low counterparty, liquidity and market risk. These will primarily be used as liquidity instruments.	Funds will only be used where the bonds have a "AAA" rated status from either Fitch, Moody's or Standard and Poor's.
5. Call account deposit accounts with financial institutions (banks and building societies) **(Low risk depending on credit rating)**	These tend to be low risk investments but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk to value with these types of investments, liquidity is high, and investments can be returned at short notice.	The counterparty selection criteria approved above restricts lending only to high quality counterparties.

Type of Permitted Investment	Treasury Risks	Mitigating Controls
6. Term deposits with financial institutions (banks and building societies) **(Low to medium risk depending on period & credit rating)**	These tend to be low risk investments but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk to value with these types of investments, liquidity is low and term deposits can only be broken with the agreement of the counterparty, and penalties may apply.	The counterparty selection criteria approved above restricts lending only to high quality counterparties.
7. Government Gilts and Treasury Bills **(Very low risk)**	These are marketable securities issued by the UK Government and as such counterparty and liquidity risk is very low, although there is potential risk to value arising from an adverse movement in interest rates (no loss if these are held to maturity).	Little counterparty mitigating controls are required, as this is a UK Government investment. The potential for capital loss will be reduced by limiting the maximum monetary and time exposures.
8. Certificates of deposits with financial institutions **(Low risk)**	These are short dated marketable securities issued by financial institutions and as such counterparty risk is low but will exhibit higher risks than categories (a), (b) and (c) above. There is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates. Liquidity risk will normally be low.	The counterparty selection criteria approved above restricts lending only to high quality counterparties.
9. Structured deposit facilities with banks and building societies (escalating rates, de-escalating rates etc.) **(Low to medium risk depending on period & credit rating)**	These tend to be medium to low risk investments but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk to value with these types of investments, liquidity is very low, and investments can only be broken with the agreement of the counterparty (penalties may apply).	The counterparty selection criteria approved above restricts lending only to high quality counterparties.
10. Corporate bonds **(Medium to high risk depending on period & credit rating)**	These are marketable securities issued by financial and corporate institutions. Counterparty risk will vary and there is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates. Liquidity risk will be low.	The counterparty selection criteria approved above restricts lending only to high quality counterparties.

Type of Investment	Treasury Risks	Mitigating Controls
11. Investment properties	These are non-service properties which are being held pending disposal or for a longer-term rental income stream. These are highly illiquid assets with high risk to value (the potential for property prices to fall or for rental voids).	In larger investment portfolios some small allocation of property-based investment may counterbalance/compliment the wider cash portfolio. Property holding will be re-valued regularly and reported annually with gross and net rental streams.
12. Loans to third parties, including soft loans	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third-party loan requires Member approval, and each application is supported by the service rational behind the loan and the likelihood of partial or full default.
13. Loans to a local authority company	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each loan to a local authority company requires Member approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default.
14. Shareholdings in a local authority company	These are service investments which may exhibit market risk and are likely to be highly illiquid.	Each equity investment in a local authority company requires Member approval and each application will be supported by the service rational behind the investment and the likelihood of loss.
15. Non-local authority shareholdings	These are non-service investments which may exhibit market risk, be only considered for longer term investments and will be likely to be liquid.	Any non-service equity investment will require separate Member approval, and each application will be supported by the service rational behind the investment and the likelihood of loss.

The Monitoring of Investment Counterparties - The status of counterparties will be monitored regularly. The Council receives credit rating and market information from MUFG, including when ratings change, and counterparties are checked promptly. On occasion 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. Any counterparty failing to meet the criteria will be removed from the list immediately, and if required new counterparties which meet the criteria will be added to the list.

Use of External Fund Managers – It is the Council's policy to use an external fund manager for the investment portfolio relating to the Common Good Funds and Benevolent Funds. The fund managers are contractually committed to keep to the Council's investment strategy. The terms of the fund managers' investment policies are set out in the Investment Management Agreement. The performance of each manager is reviewed at least quarterly at the Investment Sub Committee by the Section 95 officer.

Appendix 11

Treasury Management Scheme of Delegation

(i) The Council

a) receiving and reviewing reports on treasury management policies, practices and activities

b) approval of annual strategy.

(ii) The Council's Corporate Resources Committee

A. approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices.

B. receiving and reviewing regular monitoring reports and acting on recommendations; including scrutiny/review of annual strategy, annual report and mid-year report.

(iii) Section 95 Officer

C. reviewing the treasury management policy and procedures and making recommendations to the responsible body.

D. approval of the division of responsibilities.

E. approving the selection of external service providers and agreeing terms of appointment.

The Treasury Management Role of the Section 95 Officer

The S95 (responsible) Officer

1) recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance

2) submitting regular treasury management policy reports

3) submitting budgets and budget variations

4) receiving and reviewing management information reports

5) reviewing the performance of the treasury management function

6) ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function

7) ensuring the adequacy of internal audit, and liaising with external audit recommending the appointment of external service providers.

8) preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long-term timeframe (to be determined in accordance with local priorities).

9) ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money

10) ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority

11) ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing

12) ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources

13) ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long-term liabilities
14) provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
15) ensuring that members are adequately informed and understand the risk exposures taken on by an authority
16) ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
17) creation of Treasury Management Practices which specifically deal with how non-treasury investments will be carried out and managed.

Appendix 12 Commitment to pay to repay loans fund advances (General Fund)

Financial year	HISTORIC DEBT		NEW DEBT		Total Instalment	Estimated New Borrowing	Total GF LF debt
	Opening Balance	Instalment	Opening Balance	Instalment			
	£000	'£000	'£000	'£000	'£000	'£000	'£000
2025/26	910,831	33,990	0	0	33,990	104,335	981,176
2026/27	876,841	34,110	104,335	378	34,488	155,356	1,102,044
2027/28	842,732	35,811	259,313	947	36,758	128,792	1,194,078
2028/29	806,921	35,171	387,158	1,487	36,658	143,250	1,300,670
2029/30	771,750	33,946	528,920	2,108	36,054	0	1,264,616
2030/31	737,803	33,547	526,812	2,199	35,746	0	1,228,870
2031/32	704,257	32,888	524,614	2,293	35,181	0	1,193,689
2032/33	671,369	31,769	522,320	2,392	34,161	0	1,159,528
2033/34	639,599	31,156	519,928	2,495	33,651	0	1,125,877
2034/35	608,443	29,790	517,433	2,602	32,392	0	1,093,485
2035/36	578,654	27,547	514,831	2,714	30,261	0	1,063,224
2036/37	551,107	24,593	512,117	2,831	27,424	0	1,035,800
2037/38	526,514	22,950	509,285	2,953	25,903	0	1,009,897
2038/39	503,564	22,046	506,332	3,080	25,126	0	984,771
2039/40	481,518	20,474	503,252	3,213	23,687	0	961,084
2040/41	461,044	19,997	500,039	3,351	23,348	0	937,736
2041/42	441,048	18,382	496,687	3,496	21,878	0	915,858
2042/43	422,666	17,659	493,192	3,646	21,305	0	894,553
2043/44	405,007	16,795	489,546	3,803	20,598	0	873,955
2044/45	388,211	16,081	485,742	3,967	20,048	0	853,907
2045/46	372,130	15,579	481,775	4,138	19,717	0	834,190
2046/47	356,550	14,887	477,638	4,316	19,203	0	814,987
2047/48	341,663	13,051	473,322	4,502	17,553	0	797,434
2048/49	328,613	12,462	468,820	4,696	17,158	0	780,276
2049/50	316,150	11,993	464,124	4,898	16,891	0	763,385
2050/51	304,158	12,133	459,226	5,109	17,242	0	746,143
2051/52	292,025	12,353	454,117	5,329	17,682	0	728,461
2052/53	279,672	12,688	448,788	5,559	18,247	0	710,214
2053/54	266,984	12,795	443,229	5,798	18,593	0	691,621
2054/55	254,189	12,690	437,431	6,048	18,738	0	672,883
2055/56	241,499	13,101	431,384	6,308	19,409	0	653,474
2056/57	228,398	11,993	425,076	6,580	18,573	0	634,901
2057/58	216,405	11,408	418,496	6,863	18,271	0	616,630
2058/59	204,997	11,852	411,632	7,159	19,011	0	597,619
2059/60	193,146	11,540	404,474	7,467	19,007	0	578,612
2060/61	181,606	11,742	397,006	7,789	19,531	0	559,081
2061/62	169,864	11,988	389,217	8,125	20,113	0	538,968
2062/63	157,876	11,312	381,093	8,475	19,787	0	519,181
2063/64	146,565	10,500	372,618	8,840	19,340	0	499,841
2064/65	136,065	9,627	363,778	9,221	18,848	0	480,993

Appendix 12 Commitment to pay to repay loans fund advances (General Fund)

Financial year	HISTORIC DEBT		NEW DEBT		Total Instalment	Estimated New Borrowing	Total GF LF debt
	Opening Balance	Instalment	Opening Balance	Instalment			
	£000	'£000	'£000	'£000	'£000	'£000	'£000
2065/66	126,438	9,048	354,558	9,618	18,666	0	462,327
2066/67	117,389	9,055	344,940	10,032	19,087	0	443,240
2067/68	108,335	8,306	334,908	10,464	18,770	0	424,470
2068/69	100,029	8,412	324,444	10,915	19,327	0	405,143
2069/70	91,616	8,425	313,528	11,386	19,811	0	385,332
2070/71	83,192	8,185	302,143	11,876	20,061	0	365,271
2071/72	75,007	7,838	290,267	12,388	20,226	0	345,045
2072/73	67,169	7,406	277,879	12,922	20,328	0	324,717
2073/74	59,763	7,231	264,957	13,478	20,709	0	304,008
2074/75	52,532	6,943	251,479	14,059	21,002	0	283,006
2075/76	45,589	6,927	237,419	14,665	21,592	0	261,414
2076/77	38,662	6,213	222,754	15,297	21,510	0	239,904
2077/78	32,449	5,779	207,457	15,956	21,735	0	218,169
2078/79	26,670	5,692	191,501	16,644	22,336	0	195,833
2079/80	20,978	4,784	174,857	17,361	22,145	0	173,688
2080/81	16,194	4,590	157,495	18,110	22,700	0	150,988
2081/82	11,604	3,683	139,386	18,890	22,573	0	128,415
2082/83	7,922	2,765	120,496	19,704	22,469	0	105,946
2083/84	5,156	1,855	100,792	20,553	22,408	0	83,538
2084/85	3,302	1,533	80,238	21,439	22,972	0	60,566
2085/86	1,769	973	58,799	22,363	23,336	0	37,230
2086/87	795	783	36,435	18,381	19,164	0	18,066
2087/88	12	12	18,054	11,742	11,754	0	6,312
2088/89	0	0	6,312	6,312	6,312	0	0
2089/90	0	0	0	0	0	0	0

Appendix 13 Commitment to pay to repay loans fund advances (HRA)

Financial year	HISTORIC DEBT		NEW DEBT		Total Instalment	Estimated New Borrowing	Total HRA LF debt
	Opening Balance	Instalment	Opening Balance	Instalment			
	£000	'£000	'£000	'£000	'£000	'£000	'£000
2025/26	429,341	12,214	0	0	12,214	34,313	451,440
2026/27	417,127	13,258	34,313	122	13,380	55,272	493,332
2027/28	403,868	13,798	89,463	341	14,139	40,203	519,396
2028/29	390,071	14,138	129,325	512	14,650	41,313	546,059
2029/30	375,933	15,569	170,126	707	16,276	0	529,783
2030/31	360,364	16,090	169,418	737	16,827	0	512,956
2031/32	344,274	16,563	168,681	768	17,331	0	495,625
2032/33	327,711	17,046	167,913	800	17,846	0	477,779
2033/34	310,665	17,032	167,113	834	17,866	0	459,913
2034/35	293,633	16,472	166,279	869	17,341	0	442,572
2035/36	277,161	15,667	165,410	905	16,572	0	426,000
2036/37	261,493	13,324	164,504	944	14,268	0	411,732
2037/38	248,170	12,772	163,561	983	13,755	0	397,977
2038/39	235,398	12,000	162,578	1,024	13,024	0	384,953
2039/40	223,397	11,276	161,553	1,068	12,344	0	372,609
2040/41	212,121	10,428	160,486	1,112	11,540	0	361,069
2041/42	201,693	10,210	159,373	1,159	11,369	0	349,700
2042/43	191,483	9,198	158,214	1,208	10,406	0	339,294
2043/44	182,285	8,224	157,006	1,259	9,483	0	329,811
2044/45	174,061	6,985	155,748	1,312	8,297	0	321,514
2045/46	167,076	5,759	154,436	1,367	7,126	0	314,388
2046/47	161,317	5,781	153,070	1,424	7,205	0	307,183
2047/48	155,536	5,727	151,646	1,484	7,211	0	299,972
2048/49	149,809	5,710	150,162	1,546	7,256	0	292,716
2049/50	144,099	5,351	148,615	1,611	6,962	0	285,754
2050/51	138,748	4,915	147,004	1,679	6,594	0	279,160
2051/52	133,833	4,655	145,325	1,750	6,405	0	272,755
2052/53	129,178	4,521	143,575	1,823	6,344	0	266,411
2053/54	124,657	4,175	141,752	1,900	6,075	0	260,336
2054/55	120,482	3,866	139,852	1,980	5,846	0	254,490
2055/56	116,616	3,650	137,873	2,063	5,713	0	248,777
2056/57	112,967	3,528	135,810	2,150	5,678	0	243,099
2057/58	109,439	3,545	133,660	2,240	5,785	0	237,314
2058/59	105,893	3,633	131,420	2,334	5,967	0	231,347
2059/60	102,261	3,651	129,085	2,433	6,084	0	225,263
2060/61	98,610	3,735	126,653	2,535	6,270	0	218,993
2061/62	94,875	3,834	124,118	2,641	6,475	0	212,518
2062/63	91,042	3,936	121,476	2,753	6,689	0	205,829
2063/64	87,106	4,018	118,724	2,868	6,886	0	198,943
2064/65	83,087	4,129	115,855	2,989	7,118	0	191,825
2065/66	78,959	4,243	112,866	3,115	7,358	0	184,467

Appendix 13 Commitment to pay to repay loans fund advances (HRA)

Financial year	HISTORIC DEBT		NEW DEBT		Total Instalment	Estimated New Borrowing	Total HRA LF debt
	Opening Balance	Instalment	Opening Balance	Instalment			
	£000	'£000	'£000	'£000	'£000	'£000	'£000
2066/67	74,715	4,403	109,752	3,246	7,649	0	176,818
2067/68	70,312	5,633	106,506	3,382	9,015	0	167,803
2068/69	64,679	4,662	103,123	3,525	8,187	0	159,616
2069/70	60,017	4,837	99,599	3,673	8,510	0	151,106
2070/71	55,180	5,021	95,926	3,828	8,849	0	142,257
2071/72	50,159	5,934	92,098	3,989	9,923	0	132,334
2072/73	44,225	5,096	88,109	4,156	9,252	0	123,082
2073/74	39,129	4,967	83,953	4,331	9,298	0	113,784
2074/75	34,162	4,603	79,622	4,514	9,117	0	104,667
2075/76	29,559	4,391	75,108	4,704	9,095	0	95,572
2076/77	25,168	4,285	70,404	4,902	9,187	0	86,385
2077/78	20,883	4,041	65,502	5,108	9,149	0	77,236
2078/79	16,842	3,748	60,394	5,323	9,071	0	68,165
2079/80	13,094	3,336	55,071	5,547	8,883	0	59,282
2080/81	9,758	2,804	49,524	5,781	8,585	0	50,697
2081/82	6,954	2,345	43,744	6,024	8,369	0	42,328
2082/83	4,609	2,145	37,720	6,278	8,423	0	33,905
2083/84	2,464	1,316	31,442	6,542	7,858	0	26,047
2084/85	1,148	842	24,900	6,817	7,659	0	18,388
2085/86	0	306	18,083	7,104	7,410	0	10,978
2086/87	0	0	10,979	5,763	5,763	0	5,215
2087/88	0	0	5,216	3,460	3,460	0	1,755
2088/89	0	0	1,755	1,755	1,755	0	0
2089/90	0	0	0	0	0	0	0

Appendix 14 Commitment to pay to repay loans fund advances (HHA)

Financial year	HISTORIC DEBT		NEW DEBT				
	Opening Balance	Instalment	Opening Balance	Instalment	Total Instalment	Estimated New Borrowing	Total HHA LF debt
	£000	'£000	'£000	'£000	'£000	'£000	'£000
2025/26	50,033	0	0	0	0	15,417	65,450
2026/27	65,450	964	15,417	0	964	13,939	78,425
2027/28	78,425	0	29,356	0	0	0	78,425
2028/29	78,425	3,181	29,356	0	3,181	0	75,244
2029/30	75,244	2,041	29,356	0	2,041	0	73,203
2030/31	73,203	4,464	29,356	0	4,464	0	68,739
2031/32	68,739	6,315	29,356	0	6,315	0	62,424
2032/33	62,424	10,165	29,356	0	10,165	0	52,259
2033/34	52,259	9,924	29,356	0	9,924	0	42,335
2034/35	42,335	7,652	29,356	0	7,652	0	34,683
2035/36	34,683	4,501	29,356	15,417	19,918	0	14,765
2036/37	14,765	0	13,939	13,939	13,939	0	826
2037/38	826	0	0	0	0	0	826
2038/39	826	0	0	0	0	0	826
2039/40	826	0	0	0	0	0	826
2040/41	826	0	0	0	0	0	826
2041/42	826	0	0	0	0	0	826
2042/43	826	0	0	0	0	0	826
2043/44	826	0	0	0	0	0	826
2044/45	826	0	0	0	0	0	826
2045/46	826	0	0	0	0	0	826
2046/47	826	0	0	0	0	0	826
2047/48	826	826	0	0	826	0	0