
Report to: Audit & Scrutiny Committee

Date: 29 October 2026

Subject: Treasury Management Quarterly Update to 30 June 2026

Report by: Chief Finance Officer

1.0 Purpose

- 1.1 The purpose of this report is to present an update of Treasury Management activity for the first quarter of the 2026/27 financial year - 1 April to 30 June 2026.

2.0 Recommendations

- 2.1 It is recommended that the Committee notes, comments on and challenges, as appropriate, on the review of the Council's Treasury Management activities.

3.0 Considerations

- 3.1 The Treasury Management Strategy Statement (TMSS) for 2026/27 and the Prudential Indicators for 2026/27 to 2028/29 were approved by the Council on 26 February 2026. No changes to the TMSS are proposed in this report.
- 3.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management (the Code) recommends that the Council be updated on treasury management activities regularly (Treasury Management Strategy Statement, annual and quarterly reports). This report therefore ensures the Council is implementing best practice in accordance with the Code.
- 3.3 This report covers the following:
- The Economy and Interest Rates;
 - Interest Rate Forecast;
 - Investment Position as at 30 June 2026;
 - Borrowing Requirement and Debt;
 - Borrowing Position as at 30 June 2026 and Forecast as at 31 March 2027, and
 - Compliance with Treasury and Prudential Limits.

The Economy and Interest Rates

- 3.4 Global economic conditions continue to be affected by ongoing geopolitical tensions, including the war in Ukraine, instability in the Middle East and continuing uncertainty surrounding international trade policies and tariffs. In the UK, inflation has remained above the Bank of England's 2% target, although it has moderated from the peaks experienced in previous years. CPI inflation fell from 3.8% in August and September 2025 to 2.6% in June 2026 before rising again to 3.1% in August 2026, reflecting continued volatility in energy, transport and other consumer prices.
- 3.5 The Bank of England's Monetary Policy Committee continues to set monetary policy with the aim of returning inflation sustainably to its 2% target. As inflationary pressures eased, Bank Rate reduced from 4.50% in March 2025 to 3.75% in December 2025 and has remained at that level up to the date of writing this report. The pace of any future reductions will depend on inflation, economic growth and wider global developments.

Interest Rate Forecast

- 3.6 The Council's treasury advisors, MUFG Corporate Markets, provided the following interest rate forecast as at 3 August 2026 for Bank Rates and Public Works Loan Board (PWLB) borrowing rates.

Table 1: MUFG Corporate Markets Interest Rate Forecast as at 3 August 2026

	Jun 2026	Sep 2026	Dec 2026	Mar 2027	Jun 2027	Sep 2027	Dec 2027	Mar 2028
Bank Rate	3.75	3.75	3.75	3.75	3.75	3.50	3.50	3.25
5yr PWLB Rate	5.00	5.20	5.00	4.80	4.70	4.50	4.30	4.20
10yr PWLB Rate	5.50	5.70	5.50	5.30	5.20	5.00	4.80	4.70
25yr PWLB Rate	6.00	6.30	6.00	5.80	5.70	5.40	5.30	5.20
50yr PWLB Rate	5.80	6.10	5.80	5.60	5.50	5.20	5.10	5.00

- 3.7 The forecast in Table 1 assumes that Bank Rate will remain at 3.75% throughout 2026/27 before reducing gradually to 3.25% by March 2028. The forecast remains subject to change, particularly in response to inflation and geopolitical or wider economic developments.
- 3.8 PWLB borrowing rates are also forecast to reduce gradually over the next two years, as shown in the table above.

Investment Position as at 30 June 2026

- 3.9 The Treasury Management Strategy Statement (TMSS) for 2026/27 includes the Annual Investment Strategy, which sets out the approved upper limits of investments with fixed and variable interest rates. It can be confirmed

that these limits were not breached during the period from 1 April 2026 to 30 June 2026.

- 3.10 In order to maintain the availability of cash to meet daily cash flow payments, cash is held in easily accessible current accounts, call accounts, Money Market Funds (MMFs) and Ultra-Short Duration Bond Funds (USDBFs).
- 3.11 Current accounts generally have low interest rates; therefore, cash is invested in MMFs and USDBFs on a short-term basis to achieve a higher return. MMFs and USDBFs are mutual funds that invest in a range of short-term and medium-term money market instruments such as cash deposits (e.g. with banks), short term fixed and variable income securities (such as bonds) and, for USDBFs, mortgage and asset backed securities. These funds allow investors to participate in a more diverse and higher quality portfolio than if they were to invest independently. Their primary aims are the preservation of capital and the provision of liquidity whilst offering a level of return consistent with money market investment. This aim is consistent with the Council's investment priorities of security first, liquidity second and then returns.
- 3.12 The Council also has an account with the UK Treasury Debt Management Office (DMO) to place deposits for fixed periods up to six months at rates close to the Bank of England Base rate.
- 3.13 As at 30 June 2026, the Council held cash balances of £24.1m, of which £0.8m was immediately available in the Council's bank accounts, a further £18.4m immediately available from holdings in MMFs and USDBFs and £5m on overnight deposit with the DMO.
- 3.14 The average level of funds available for investment during the three months to 30 June 2026 was £15.2m. These funds were available on a temporary basis with the amount available varying at any one time depending on several factors including cash flow and the borrowing strategy.
- 3.15 The benchmark investment returns over the three months ended 30 June 2026 are illustrated in the undernoted table:

Table 2: Benchmark Investment Returns 2026/27

Benchmark Period	Benchmark Return as at 30 June 2026
7 Days	3.73%
30 Days	3.74%
90 Days	3.75%
6 Months	3.81%
12 Months	4.01%

*The rates shown above are based on the average backward-looking Sterling Overnight Index Average (SONIA) rates for the period.

- 3.16 The Council's budgeted cash investment return for 2026/27 is 2.00%. This is a composite rate of all investments which is a mixture of instant access balances and short-term investments with maturity dates up to 100 days. The budgeted rate was based on an expected average bank rate of 3.25% for 2026/27.

- 3.17 For the three months ended 30 June 2026 the Council achieved an actual investment return of 3.84% (£162.9k) which is higher than budgeted due to interest rates remaining above the budgeted level. Most of this return (£155.2k) was from investments in MMFs and USDBFs which achieved rates of between 3.70% and 4.27% for the period.
- 3.18 For the three months ended 30 June 2026, an average return of 1.75% (£2.2k) was achieved on everyday cash balances held with Royal Bank of Scotland (RBS). The DMO account was used for deposits of less than 7 days when temporary excesses of working funds were identified, achieving returns of 3.7% (£4.8k) in the period. Balances held with Bank of Scotland achieved a return of 3.52% (£0.7k) for the first quarter of 2026/27.
- 3.19 As shown in Table 1 above, the bank rate is forecast to remain at 3.75% until June 2027. As this is higher than the rate assumed in the TMSS for the remainder of 2026/27, actual investment returns are expected to remain above budget.

Borrowing Requirement and Debt

- 3.20 The Council's underlying need to borrow to finance capital expenditure, termed the Capital Financing Requirement (CFR), is shown below. The 2025/26 actual CFR increased by £24.3m, reflecting General Fund and HRA capital expenditure, offset by Loans Fund principal repayments and lease repayments.
- 3.21 The projected CFR is lower than the figures included in the approved TMSS as the TMSS was based on estimated 2025/26 capital expenditure and the 2026/27 capital programme as approved at that time, before the final 2025/26 capital carry forwards were known. The movement compared with the TMSS reflects the net effect of:
- actual General Fund and HRA capital expenditure in 2025/26 being lower than estimated in the TMSS;
 - forecast General Fund capital expenditure for 2026/27 being higher than the level included in the TMSS, including the impact of capital budget carried forward from 2025/26, and
 - forecast HRA capital expenditure for 2026/27 being lower than the level included in the TMSS.
- 3.22 Overall, the increase in forecast General Fund capital expenditure for 2026/27 is more than offset by the lower 2025/26 General Fund and HRA capital expenditure and the reduction in forecast HRA expenditure for 2026/27. This results in an overall reduction in the projected CFR compared with the position reported in the approved TMSS.

Table 3: Borrowing Requirement (CFR) 2026/27

	31 March 2026 Actual £000	31 March 2027 Budget Estimate £000	31 March 2027 Projected as at June 2026 £000
CFR General Fund	160,017	205,490	205,774
CFR HRA	33,223	46,886	44,065
Total CFR	193,240	252,376	249,839

- 3.23 The estimated CFR is likely to be affected by the adoption of IFRS16 – Leases. IFRS16 was originally due for implementation on 1 April 2020 but was deferred until 1 April 2024. It is anticipated that the adoption of IFRS16 will increase the CFR and impact on the authorised limit and operational boundary for external debt. Due to delays in completing the 2024/25 annual accounts, the CFR figures in this report do not include any estimates for the impact of IFRS16 and this will be reported through Treasury Management updates once known.

Borrowing Position at 30 June and Forecast as at 31 March 2027

- 3.24 The approved Capital programmes for both the General Fund and the HRA for 2026/27 indicated that additional external borrowing would need to be undertaken to finance capital expenditure within the year.
- 3.25 During the three months to 30 June 2026, the Council undertook borrowing totalling £20m. This consisted of a £5m loan from PWLB taken in May for four years to refinance a one-year PWLB loan taken in April 2025 and three loans of £5m in June for one year from three local authorities to finance capital expenditure. Following the additional borrowing undertaken, the Council remains in an under borrowed position.
- 3.26 In the same period, the Council made repayments of £7.5m against its external borrowing. This included repayments of £7.1m towards PWLB debt, and repayments of £0.4m towards the Council's PFI arrangement.
- 3.27 In line with the approved budget, Capital expenditure in the first three months of 2026/27 was funded from new external borrowing as planned. New borrowing of £20m, together with repayments of £7.5m, resulted in a net increase in external borrowing of approximately £12.5m during the quarter. Borrowing of £5m has been undertaken between July and September and it is anticipated that a further £34.3m of PWLB borrowing will be undertaken by 31 March 2027. This will be subject to review of progress on the approved capital programme and the level of cash balances held.
- 3.28 The Council's external borrowing position as at 30 June 2026 and projected year end position is illustrated in the undernoted table:

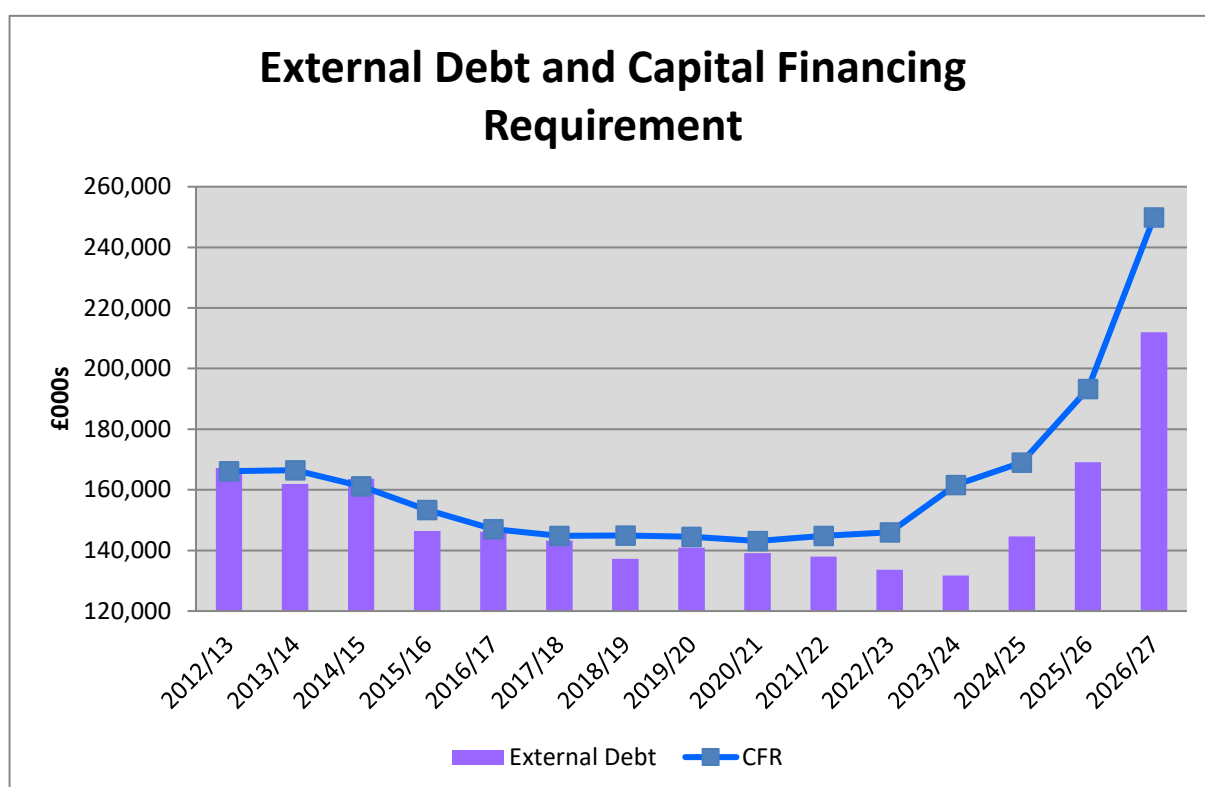
Table 4: External borrowing 2026/27

	Actual March 2026 £000	Actual June 2026 £000	Projected March 2027 £000
Public Works Loan Board	133,489	131,434	162,978
Local Authority Borrowing	0	15,000	15,000
LOBO* Loans	5,000	5,000	5,000
Long term Liabilities - PFI	30,667	30,255	29,018
Total	169,156	181,689	211,996

*LOBO = Lender Option Borrower Option – long term loan with a fixed interest rate but allows the option to vary the interest rate at periodic intervals throughout the term of the loan.

- 3.29 Borrowing is forecast to increase by the end of 2026/27, in line with the planning assumptions in the TMSS. The forecast includes the £5m PWLB loan taken out in September 2026, a further £17m of external borrowing expected between October and December 2026, and an additional £17.3m expected between January and March 2027 to fund the planned capital programme.
- 3.30 The following chart shows the actual and forecast level of debt up to the end of 2026/27. In addition to programmed capital spend, repayment profiles of debt maturity mean there are variations in annual change in debt year on year.

Chart 1: External debt and Capital Financing Requirement (actual and forecast)



- 3.31 Overall there was a reduction in cumulative external debt of £35.4m (21%) between 2012/13 and 2023/24, showing that over the longer term the Council did not increase its level of debt to finance its capital programme over this period. However, the rolling 20-year capital programme for 2024/25 to 2043/44, approved by Council at its meeting in February 2024 and updated annually, included a significant increase in capital investment with the expectation that new external borrowing would need to be undertaken over this period to ensure sufficient cash is available to meet the capital investment. In line with this strategy, external debt has increased since 2024/25 and is forecast to increase in the medium term before falling again towards the end of the 20-year programme. Repayments towards PFI also continue to reduce the Council's overall level of external debt on an annual basis.
- 3.32 In line with the 2026/27 TMSS and Prudential Indicators, total external debt of £211.9m is forecast at end of the year which remains below both the Operational Boundary for External Debt (£257m) and the Authorised Limit for External Debt (£277m).

Borrowing in Advance of Need

- 3.33 The Council has not borrowed in advance of need in the three months ended 30 June 2026 and has no intention to borrow in advance during the remainder of 2026/27.

Debt Rescheduling

- 3.34 There have been limited economic opportunities for PWLB debt rescheduling in recent years due to interest rate structures and as such no rescheduling of PWLB debt has taken place or is expected to take place during 2026/27.

Compliance with Treasury and Prudential Limits

- 3.35 It is a statutory duty for the Council to determine and keep under review the affordable capital expenditure limits. The Council's Treasury and Prudential Indicators (affordability limits) are included in the approved TMSS.
- 3.36 All treasury and prudential indicators set out in the Council's TMSS have been complied with in the financial period to 30 June 2026. These prudential and treasury indicators are shown in Appendix 2.

4.0 Conclusions

- 4.1 Cash and investment balances were £24.1m as at 30 June 2026. These balances provide liquidity to meet the Council's cash flow requirements and may be used to support the capital financing requirement through internal borrowing during the remainder of the year.
- 4.2 The Council's return on investments was higher than the budgeted return and similar to the SONIA benchmark rates for the first three months of the financial year.
- 4.3 During the first quarter, the Council has repaid £7.1m PWLB debt and £0.4m in respect of its PFI arrangements.
- 4.4 Following the £20m borrowed in the first quarter, a further £39.3m of borrowing was forecast for the remainder of 2026/27. Of this, £5m had been undertaken by 30 September 2026, leaving £34.3m forecast to be undertaken by 31 March 2027.
- 4.5 Total cash and investment balances have increased by £10.7m during the first three months of the year. At 30 June 2026, £18.4m was held in two MMFs and two USDBFs, with a further £5.0m held on overnight deposit with the DMO. It is anticipated that balances held in these funds will reduce as cash is used to support the financing of capital expenditure through internal borrowing during the remainder of the financial year.

5.0 Sustainability Implications

- 5.1 None

6.0 Resource Implications

6.1 Financial Details

- 6.2 The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where

appropriate.

Yes ☒

- 6.3 Finance have been consulted and have agreed the financial implications as set out in the report.

Yes ☒

6.4 Staffing

6.5 None

7.0 Exempt Reports

- 7.1 Is this report exempt? Yes ☐ (please detail the reasons for exemption below)
No ☒

8.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

- (1) **Our Priorities** (Please double click on the check box ☒)

Clackmannanshire will be attractive to businesses & people and ensure fair opportunities for all	☒
Our families; children and young people will have the best possible start in life	☐
Women and girls will be confident and aspirational, and achieve their full potential	☐
Our communities will be resilient and empowered so that they can thrive and flourish	☐

- (2) **Council Policies** (Please detail)

Treasury Management Policy Statement and Practices

9.0 Impact Assessments

- 9.1 Have you attached the combined equalities impact assessment to ensure compliance with the public sector equality duty and fairer Scotland duty? (All EFSIAs also require to be published on the Council's website)

No ☒

- 9.2 If an impact assessment has not been undertaken you should explain why:

This report is for noting and there are no direct impacts resulting from the content of this report.

10.0 Legality

- 10.1 In adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes ☒

11.0 Appendices

- 11.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

Appendix 1 – Investment Portfolio as at 30 June 2026

Appendix 2 - Prudential and Treasury Indicators as at 30 June 2026

12.0 Background Papers

- 12.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

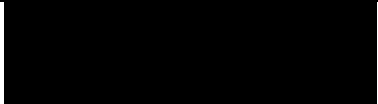
Yes ☒ (please list the documents below) No ☐

Treasury Management Strategy Statement 2026/27 - report to Council February 2026

Author

NAME	DESIGNATION	TEL NO / EXTENSION
Steven Henderson	Corporate Accountant	2069
Helen Coleman	Team Leader – Corporate Accountancy	

Approved by

NAME	DESIGNATION	SIGNATURE
Chris Alliston	Head of Service (Corporate)	

APPENDIX 1: Investment Portfolio as at 30 June 2026

Short Term Investments – Counterparty	Principal as at 30 June 2026 £000	Interest Rate	Type
Aberdeen Standard Money Market Fund	5,200	Average Yield: Apr-Jun 3.82%	Instant access
Aberdeen Standard Ultra Short Dated Bond Fund	4,511	Average Yield: Apr-Jun 4.09%	Instant access
Blackrock Money Market Fund	5,500	Average Yield: Apr – Jun 3.70%	Instant access
Blackrock Ultra Short Dated Bond Fund	3,141	Average Yield: Apr - Jun 4.27% (Accumulating interest)	Instant access
UK Treasury – Debt Management Accounts Deposit Facility (DMADF)	5,000	3.70%	Temporary investment
CSBP Clackmannanshire Investments Ltd	1		
Total Short Term Investments	23,353		

Cash and Cash Equivalents – Counterparty	Principal as at 30 June 2026 £000	Interest Rate
Royal Bank of Scotland plc	549	1.75% from 12 th Jan 2026
Bank of Scotland plc	84	Average Yield Apr-Jun 3.52%
Other Accounts	139	-
Total Cash and Cash Equivalents	772	

TOTAL INVESTMENTS	24,125
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APPENDIX 2: Prudential and Treasury Indicators

Treasury Indicators	2026/27 Budgeted Estimate £'000	Actual as at 30 June 2026 £'000	Projected 31 March 2027 £'000
Authorised limit for external debt	277,000	277,000	277,000
Operational boundary for external debt	257,000	257,000	257,000
Gross external debt	224,273	**181,689	211,996
Investments	*13,328	24,125	12,000
Net borrowing	210,945	157,564	199,996

*Actual as at 31 March 2026

**As at 30 June 2026, gross external debt consisted of £151.434m fixed rate borrowing and £30.255m liabilities in relation to PFI

Maturity structure of fixed rate borrowing (excluding PFI)	Upper and Lower Limits	Fixed Rate Borrowing as at 30 June 2026 £'000
Under 12 months	25% - 0%	7,718
12 months to 2 years	25% - 0%	30,461
2 years to 5 years	50% - 0%	39,778
5 years to 10 years	75% - 0%	3,499
10 years and above	100% - 0%	69,978
		151,434

Prudential and Treasury Indicators

2026/27	As at 30 June 2026		
Prudential Indicators	Budgeted Estimate	Projected Outturn	Variance
	£'000	£'000	£'000
Capital expenditure: General Fund Services*	57,431	55,758	(1,673)
Capital expenditure: Housing Revenue Account*	19,066	15,717	(3,349)
Capital Financing Requirement (CFR): General Fund	205,490	205,774	284
Capital Financing Requirement (CFR): HRA	46,886	44,065	(2,821)
In year borrowing requirement	28,104	37,843	9,739
Ratio of financing costs to net revenue stream - General Fund	4.43%	4.36%	(0.07%)
Ratio of financing costs to net revenue stream - HRA	10.32%	9.52%	(0.80%)

*Amended budget at Q1 reflecting updated carryforwards per 2025/26 year end outturn and any additional grants received since budget was approved.