

ECONOMY AND RESOURCES SCRUTINY COMMITTEE
30th OCTOBER 2025

BORROWING – HIGH LEVEL HEADLINES

SUMMARY REPORT

Purpose of the Report

1. This report provides a high level summary of the Council's borrowing position.

Summary

2. Each year Full Council approves the Prudential Indicators and Treasury Management Strategy which includes proposals on Council's borrowing need for the coming year. The 2025/26 Prudential Indicators and Treasury Management Report was agreed by Council on 20th February 2025.
3. Borrowing is part of the Council's Treasury Management function and all borrowing is in accordance with statutory requirements. All borrowing is affordable within the agreed MTFP and is used to fund,
 - (a) The Council's capital program.
 - (b) To deliver investments returns.
 - (c) For cash flow purposes.
4. The Mid Year Prudential Indicators and Treasury Management Strategy 2025/26 reported to Audit Committee on 13th October 2025, noted current borrowing as £162.668m with a projected year end borrowing of £173.268m. This is £31.878m less than the originally agreed borrowing limit (Operational Boundary) of £205.146m agreed by Full Council in February.

Recommendations

5. It is recommended that:
 - (a) The information included in this report be noted.

Reasons

6. The recommendations are supported to make Scrutiny Committee aware of the Council's current borrowing.

Brett Nielsen
Assistant Director Resources

Background Papers

Mid Year Prudential Indicators and Treasury Management Monitoring Report 2025/26 Prudential Indicators and Treasury Management Strategy Report 2025/26

Brett Nielsen: Extension 5403

Council Plan	The Council's investments provide income to contribute towards all the priorities outlined with the Council Plan.
Addressing inequalities	There is no impact as a result of this report.
Tackling Climate Change	There is no impact as a result of this report.
Efficient and effective use of resources	The recommendation supports the effective and efficient use of resources.
Health and Well Being	This report has no implications for the Council's Health and Well Being agenda.
S17 Crime and Disorder	This report has no implications for S 17 Crime and Disorder.
Wards Affected	All Wards.
Groups Affected	All Groups.
Budget and Policy Framework	This report does not recommend a change to the Council's budget or policy framework.
Key Decision	This is not an executive decision.
Urgent Decision	For the purposes of call in this report is not an urgent decision.
Impact on Looked After Children and Care Leavers	This report does not impact on Looked After Children or Care Leavers.

MAIN REPORT

Background

7. Each year Full Council approves the Prudential Indicators and Treasury Management Strategy which includes proposals on Council's borrowing need for the coming year. The 2025/26 Prudential Indicators and Treasury Management report was agreed by Council on 20th February 2025.
8. Borrowing is part of the Councils Treasury Management activities and is undertaken in accordance to statutory requirements. All borrowing is affordable within the agreed MTFP and is used to fund,
 - (a) The Council's capital program.
 - (b) To deliver investments returns.
 - (c) For cash flow purposes.
9. Examples of the capital schemes funded through borrowing in 2024/25 include the construction of new Council houses, Hopetown and the Dolphin Centre pool repairs.

10. Investments include loans to the Council Joint Venture Companies, which are repaid in full, with interest and provide an income stream into the revenue budget.
11. The Prudential Indicators and Treasury Management Strategy reports are scrutinised through the Council's Audit Committee, before forwarding to Cabinet and Council for approval.

Current Position

12. The Mid Year Prudential Indicators and Treasury Management Monitoring Report 2025/26 was scrutinised by Audit Committee on 13th October, this report is to be forwarded onto Cabinet and Council for consideration and approval.
13. The mid year report noted current borrowing as £162.668m with a projected year end borrowing of £173.268m. This is £31.878m less than the originally agreed borrowing limit (external debt) of £205.146m agreed by Full Council in February.
14. This decrease in expected borrowing is from a combination of slippage in the Councils capital program (as the Council only borrows once the expenditure is made) and repayment of loans that have matured, repaid using other cash balances.
15. The current borrowing is made up as follows,

Timescale of borrowing

Timeframe Remaining	Amount £m	Rate (Average)
Short – less than one year	45.000	4.63%
Medium - 1 to 5 years	15.372	3.38%
Over 10 years	102.296	3.67%
TOTAL	162.668	

By borrowing class

Class	Amount £m
Public Works Loan Board	123.068
Market Loans (Maturity)	4.400
Non – Market Loans (Maturity)	30.000
Market Loans (LOBO's)	5.200
TOTAL	162.668

16. The current borrowing is from the following sources,
 - (a) Public Works Loan Board – Government loans to public bodies.
 - (b) Market Loans (Maturity) – Loans from financial institutions e.g. banks
 - (c) Non – Market Loans (Maturity) – Loans from other organisations e.g. Other Council's, Combined Authorities etc.
 - (d) Market Loans (LOBO's) – Lender Option Borrow Option – Long term loans with the option of the lender to change the interest rate at a call date.
17. The Council will only take out new borrowing when there is a requirement for the funds. Over the last few years whilst borrowing costs have been high, the Council has used a strategy of using cash balances and reserves before taking out new debt. This is prudent, as the interest that is charged on borrowing is higher than the returns we would receive from investment returns. Recently the Council has used funds received from one of our property funds to repay loans that were maturing rather than taking out new borrowing.
18. As interest rates are forecast to fall in the future, new borrowing will be taken out later in order to obtain the best rate for the Council. In addition, where the Council has had to borrow for day to day cash flow purposes these loans have been taken out on a short term basis, to ensure that the Council is not fixed into higher rates of interest for many years.
19. The management of borrowing and cash flow is undertaken on a daily basis by our Treasury Management function, which is part of the duties of the Finance team.

Conclusion

20. All Council borrowing is in line with statutory requirements and is used to fund the capital programme, investments and for cash flow purposes.