



## Governance Scrutiny Group

Thursday, 5 February 2026

### Capital and Investment Strategy – Quarter Report 3 2025/26

## Report of the Director - Finance and Corporate Services

### 1. Purpose of report

- 1.1. The purpose of this report is to summarise the Capital and investment activities of the Council for the period 1 April to 31 December 2025.

The Capital and Investment Strategy for 2025/26, approved by Council on 6 March 2025, outlines the Council's capital and investment priorities as follows:

- Security of capital
- Liquidity of investments; and
- Optimising yield earned on investments (cash and property).

- 1.2. The strategy includes indicators that help ensure that the Council's capital investment plans are affordable, prudent, and sustainable. Setting an integrated Capital and Investment Strategy is a requirement of the CIPFA Code of Practice.

### 2. Recommendations

It is recommended that the Group considers the Capital and Investment Strategy update position as of 31 December 2025.

### 3. Reasons for Recommendation

- 3.1. CIPFA's Code of Practice for Treasury Management (2021) recommends that Councillors should be informed of Treasury Management activities quarterly. This report, therefore, ensures this Council is embracing best practice for the scrutiny of capital and investment activity in accordance with the CIPFA Code of Practice.

### 4. Supporting Information

#### Economic Forecast

- 4.1. The first quarter was dominated by US trade tariffs and the negative impact on equity and bond markets, whilst the second quarter saw this somewhat reversed. Quarter 3 saw the government's autumn Budget. Despite much speculation and drip-feeding of potential policies in the weeks leading up to the event, what was ultimately announced was generally deemed more muted than was anticipated, helping ease investors' fears of significantly higher government borrowing.
- 4.2. Inflation (CPI) was 3.2% in November, down from 3.8% in September and lower than the 3.5% expected. Core CPI eased to 3.2% from 3.5%, against forecasts of it being 3.6%.

- 4.3. The Bank of England (BoE) reduced the base rate to 3.75% at its meeting in December 2025, down 25 basis points from 4%. This follows multiple cuts during 2025. The Council's treasury advisors are expecting this downward trend to continue over the medium term with the next cut anticipated in February 2026 and rates expected to stabilise around 3.25%.
- 4.4. The labour market continues to ease (where demand for workers is weakening relative to supply) with rising unemployment, falling vacancies and flat inactivity. In the three months to October 2025, the unemployment rate increased to 5.1%, while the employment rate slipped to 74.9%. Going forward, the Bank predicts the unemployment rate will remain around 5.0% before trending downwards in 2026 at a gradual pace over the rest of the time horizon.
- 4.5. The UK economy has expanded slightly with gross domestic product (GDP) having increased by 0.1% in quarter 3 (July to September 2025), although the ONS estimated that GDP fell in October.

### **Investment Income**

- 4.6. Based on the Arlingclose interest rate forecast at the time of budgeting (an average rate of 4.06%), the Council budgeted to receive £1,434,900 in investment income in 2025/26. Actual interest earned to 31 December 2025 totalled £1,431,100 with total receipts for the year expected to be approximately £1,908,100 (£2,168,616 in 2024/25). Interest receipts are higher than estimated due to investment balances and interest rates both being higher than expected. All investments have been made in accordance with the Council's Capital and Investment Strategy. The Council achieved an average interest rate of 4.08% in quarter 3.
- 4.7. The average level of funds available for investment purposes during the quarter was £77.44m, and at 31 December 2025 were £89m. The level of funds dependent on the timing of precept payments, receipt of grants, S106 receipts and progress on the capital programme. The Council holds £13.929m core cash balances for investment purposes (i.e., funds available for more than one year).
- 4.8. To maintain returns and mitigate risks, the Council has continued to diversify its investments mix. As a result, the Council is currently placing deposits in Money Market Funds (MMFs), Call Accounts, CCLA Property Fund, UK Local Authorities and Diversified Funds. The Council also currently holds two ESG (Environmental, Social and Governance) accounts totalling £7.54m. A full list of investments at 31 December can be found at **Appendix A**.
- 4.9. The Council ensures investments are secure and that liquidity is maintained whilst proactively looking to maximise its rate of return.
- 4.10. The Council's diversified funds are subject to fluctuations in fair value. The current position is an overall capital value deficit of £0.562m from initial investment. Further details can be seen in **Appendix B**. Funds are still volatile but loss in capital value largely experienced in previous years, is reversing and has been mitigated by appropriations to the Treasury Capital Depreciation Reserve (current balance of £1.310m). There is a statutory override currently in place, preventing any accounting adjustments impacting on the revenue accounts. This is due to end 1st April 2029. Whilst the value of this type of investment can fluctuate, the interest received makes up a healthy proportion of the overall returns on investment, with the fair value of these investments

accounting for 16% of average investment balances and generating 34% interest in 2024/25. The Council will continue to monitor the position on these investments and take advice from the treasury advisors.

## Capital Expenditure and Financing

- 4.11. The original Capital Programme for 2025/26 was £8.344m. This has been revised to £14.186m, mainly due to carry forwards from 2024/25 £4.308m and acceleration of schemes from 2026/27. The projected outturn at Quarter 3 is £12.646m, resulting in an estimated underspend of £1.54m, primarily arising from the need to reprofile expenditure to 2026/27: Land Acquisition for Carbon Offsetting £459k; The Crematorium post opening enhancements £238k; Edwalton Golf Course enhancements £237k; Highways Verges £225k; Toothill Grant for Athletics Track and Hockey Pitches £200k; and Bingham Arena post opening enhancements £218k.
- 4.12. Capital expenditure forms one of the required prudential indicators. Table 1 below shows capital expenditure and how this is financed.

**Table 1 – Capital Expenditure**

	2025/26 Estimate £'000	2025/26 Projection £'000	Projected Variance £'000
<b>Capital Programme</b>			
<b>Capital Expenditure</b>	14,186	12,646	(1,540)
<b>Less Financed by:</b>			
Capital Receipts	(4,460)	(3,736)	724
Capital Grants	(3,720)	(3,975)	(255)
Reserves	(6,006)	(4,935)	1,071
<b>Increase in borrowing need</b>	0	0	0

- 4.13. The Council's underlying need to borrow for capital expenditure is called the Capital Financing Requirement (CFR). The CFR represents the net capital expenditure in 2025/26 and prior years that has not yet been paid for by revenue or other resources. It is a Key Prudential Indicator and can be seen in **Appendix C**. No new borrowing is envisaged over the Medium-Term, so the CFR balance continues to reduce after deducting MRP repayments and capital receipts as seen in Table 2.

**Table 2 – Capital Financing Requirement**

	2024/25 Actual £'000	2025/26 Estimate £'000	2025/26 Projection £'000
<b>Capital Financing Requirement (CFR)</b>			
Opening Balance	9,889	10,010	10,010
Add: unfinanced capital expenditure (IFRS16)	2,773	0	0
Less MRP/VRP	(1,652)	(1,648)	(1,648)
Less applied Capital Receipts and S106	(1,000)	0	0
Closing Balance	10,010	8,362	8,362

## Treasury Management and Prudential Indicators

- 4.14. As part of the Capital and Investment Strategy, the Council established a range of Prudential Indicators (which also accords with professional practice) to monitor both Treasury and Capital as the two are intrinsically linked. Details of the performance against the Prudential Indicators can be found at **Appendix C**.

4.15. During the quarter ended 31 December 2025, the Council has operated within treasury management indicators set, and it is not envisaged that there will be any difficulties in the current or future years in complying with these indicators.

4.16. All treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices.

4.17. No external borrowing was undertaken during the quarter ended 31 December 2025 and the Council does not anticipate a need to externally borrow in this financial year or over the Medium Term.

4.18. The Asset (or Liability) Benchmark reflects the real need to borrow. The Council is reporting a credit balance (asset) which shows that the Council has no need to borrow over the medium term. The projected position is healthier than originally estimated due larger investment balances due to reprofiling of the Capital Programme and S106 balances. This has a knock-on effect on the upper limit for principal sums invested over one year and this is set at a maximum of 50% of investment balances.

4.19. The ratio of Financing Costs to Net Revenue Streams is a key Prudential Indicator of affordability and compares net financing costs (MRP, borrowing costs, less investment income) to net revenue income (see table 3). This indicator shows the proportion of net income that is used to pay for financing costs. The projected actual at quarter 3 is -0.71%, the minus indicating that interest receipts exceed financing costs and interest receipts are higher than estimated as stated at paragraph 4.6 above.

**Table 3 – Financing Cost to Net Revenue Stream**

Ratio of Financing costs to net revenue stream	2025/26	2025/26
	Estimate £'000	Projection £'000
Net Financing Costs	333	(141)
Net Revenue Stream	19,889	19,893
Ratio	1.67%	(0.71%)

4.20. Net Income from Commercial and Service Investments to Net Revenue Streams reflects the Council's dependence on investments (see table 4). The projected figure is marginally higher than originally estimated due to higher interest receipts.

**Table 4 – Net Income to Net Revenue Stream**

Net Income to Net Revenue Stream	2025/26	2025/26
	Estimate £'000	Projection £'000
Net Income from commercial and service investments	(2,097)	(2,234)
Net Revenue Stream	19,889	19,893
Ratio	(10.54%)	(11.23%)

### **Commercial Investments**

4.21. The Council must disclose its dependence on commercial income, and the contribution non-core investments make towards core functions.

4.22. The projected position for total contribution of non-core investments towards core functions is 12.1% compared with the estimated figure of 12.5%. This figure is only marginally lower than estimated, due to total income being higher than estimated primarily due to interest receipts as mentioned in paragraph 4.6. (see Table 5 below).

**Table 5 – Commercial Investments**

Commercial Investments	2025/26 Full Year Budget	2025/26 Actual Qtr 3	YTD Budget	25-26 Full Year Projection
	£'000	£'000	Qtr 3	£'000
Commercial Property Income	(1,979)	(1,439)	(1,484)	(1,935)
Running Costs	465	340	351	459
<b>Net contribution to core functions</b>	<b>(1,514)</b>	<b>(1,099)</b>	<b>(1,133)</b>	<b>(1,476)</b>
Interest from Commercial Loans	(59)	(45)	(45)	(59)
<b>Total Contribution</b>	<b>(1,573)</b>	<b>(1,144)</b>	<b>(1,178)</b>	<b>(1,535)</b>
Total Income	(12,537)	(10,762)	(9,158)	(12,660)
<b>Total Contribution/Total income</b>	<b>12.5%</b>	<b>10.6%</b>	<b>12.9%</b>	<b>12.1%</b>
Sensitivity +/- 10%	(198)	(144)	(148)	(194)

## 5. Conclusion

5.1. Officers can confirm that the approved limits within the Capital and Investment Strategy were not breached during the quarter ended 31 December 2025.

5.2. Treasury Management is affected by global activities the most recent being the United States intended acquisition of Greenland. The President's policy decisions to impose further tariffs will have an inflationary effect globally and threats may affect confidence in the financial markets. Officers will continue to monitor the environment and report any significant issues to the Governance Scrutiny Group.

## 6. Risk and Uncertainties

6.1. The report covers both counterparty, interest rate and property related risks.

## 7. Implications

### 7.1. Financial Implications

Financial Implications are covered in the body of the report.

### 7.2. Legal Implications

There are no specific legal implications identified in this report. The report demonstrates the Council's good practice in following CIPFA's Code of Practice for Treasury Management (2021) recommends by informing Councillors of Treasury Management activities quarterly. Adoption of the best practice ensures scrutiny of capital and investment activity undertaken during the relevant period.

### **7.3. Equalities Implications**

There are no equalities implications identified for this report.

### **7.4. Section 17 of the Crime and Disorder Act 1998 Implications**

There are no Section 17 implications identified for this report.

### **7.5. Biodiversity Net Gain Implications**

There are no BNG implications identified for this report.

## **8. Link to Corporate Priorities**

The Environment	Helping to protect the environment by consideration of carbon footprint and fossil-based investments as part of the Capital and Investment Strategy
Quality of Life	No direct impact on quality of life
Efficient Services	Responsible income generation and maximising returns
Sustainable Growth	No direct impact on sustainable growth

## **9. Recommendations**

It is recommended that the Group considers the Capital and Investment Strategy update position as of 31 December 2025.

<b>For more information contact:</b>	Peter Linfield Executive Manager - Finance and Corporate Services 0115 914 8439 <a href="mailto:plinfield@rushcliffe.gov.uk">plinfield@rushcliffe.gov.uk</a>
<b>Background papers available for inspection</b>	Capital and Investment Strategy 2025/26 Capital and Investment Update Q1 and Q2
<b>List of Appendices:</b>	Appendix A – Investments at 31 December 2025 Appendix B – Pooled Funds Appendix C – Prudential and Treasury Indicators for 2025/26 at 31 December 2025

## APPENDIX A

### Investment Balances - 31 December 2025

Type	Financial Institution	Amount £	Length of Maturity Date for Investment		Interest
			Fixed Investments	Interest	
Pooled Fund	Royal London Cash Plus Fund	1,015,613	On-going		3.96%
Pooled Fund	CCLA Property Fund	2,008,092	On-going		4.36%
Pooled Fund	CCLA Cautious Fund	1,825,481	On-going		3.25%
Pooled Fund	Aegon Diversified Income fund	4,560,790	On-going		6.80%
Pooled Fund	Ninety One Diversified Income Fund	4,518,894	On-going		6.20%
MMF	Aviva	202,533	Call		3.95%
MMF	Blackrodk	1,036,509	Call		4.01%
MMF	CCLA - PSDF	1,350,133	Call		3.99%
MMF	Federated Investors (UK)	9,756,630	Call		4.06%
MMF	Goldman Sachs Asset Management	60,677	Call		3.94%
MMF	HSBC Asset Management ESG	5,715,624	Call		4.03%
MMF	Invesco AIM	9,636,232	Call		4.02%
MMF	Aberdeen Asset Management	9,945,886	Call		4.04%
MMF	HSBC Asset Management Business Deposit	680,168	Call		1.41%
Government	Cheshire East Council	5,000,000	364 Days	13/07/2026	4.30%
Government	Blackpool Council	5,000,000	181 Days	12/05/2026	4.25%
Government	Leeds City Council	5,000,000	212 Days	24/04/2026	4.25%
Government	Telford & Wrekin	5,000,000	185 Days	26/01/2026	4.20%
Government	Lancashire County Council	5,000,000	364 Days	18/06/2026	4.25%
Banks Secured	Standard Chartered	6,000,000	94 Days	19/01/2026	3.93%
Banks Unsecured	Bank of Scotland PLC	833	Call		0.01%
Banks Unsecured	Bank of Scotland PLC32	119,132	32 Days		2.50%
Banks Unsecured	Barclays Bank PLC	257,739	Call		1.38%
Banks Unsecured	Barclays Bank PLC 32	4,774,701	32 Days		3.80%
Banks Unsecured	Handelsbanken PLC	12,396	Call		3.85%
Banks Unsecured	Handelsbanken PLC35	13,147	35 Days		3.60%
Banks Unsecured	Santander UK PLC	470,814	Call		1.98%
Banks Unsecured	Santander UK PLC35	92,283	35 Days		3.53%
<b>Average Interest Rate</b>					<b>4.08%</b>
<b>Total Investments</b>		<b>89,054,306</b>			

## APPENDIX B

### Pooled Funds

Fair Value	31.03.25	Difference from 31.03.25			Difference in valuation from initial investment
		31.12.25	Amount Invested		
<b>Aegon-Previously Kames</b>	4,560,790	4,955,654	394,864	5,000,000	(44,346)
<b>Ninety One-Previously Investec</b>	4,518,894	4,621,171	102,277	5,000,000	(378,829)
<b>RLAM</b>	1,015,613	1,026,306	10,692	1,000,000	26,306
<b>CCLA Property</b>	2,008,092	2,011,052	2,960	2,000,000	11,052
<b>CCLA Diversified</b>	1,825,481	1,824,177	(1,303)	2,000,000	(175,823)
	<b>13,928,870</b>	<b>14,438,360</b>	<b>509,491</b>	15,000,000	<b>(561,640)</b>

## APPENDIX C

### Prudential and Treasury Indicators Quarter 3

Prudential & Treasury Indicators 31st December 2025	2025/26 Estimate £'000	2025/26 Projected £'000
<b>Prudential Indicators</b>		
Capital Expenditure	14,186	12,646
Expected Investment Position at 31 March 2026	73,021	76,415
Capital Financing requirement at 31 March 2026	8,362	8,362
Proportion of financing costs to net revenue streams	1.67%	(0.71%)
Gross Debt (Debt incl PFI & Leases)	0	0
Net Income (from Commercial and Service Investments) to Net Revenue Streams	(10.5%)	(11.2%)
<b>Treasury Management Indicators</b>		
Authorised Limit for external debt (Borrowing and other Long Term Liabilities)	20,000	20,000
Operational Boundary for external debt (borrowing and other Long Term Liabilities)	15,000	15,000
Upper limit for fixed interest rate exposure on investments up to 1 year	50%	35%
Upper limit for variable rate exposure (investments)	100%	65%
Upper limit for total principal sums invested over 1 year	36,500	38,208
Liability Benchmark	(61,174)	(61,512)

## **Glossary of Terms**

Money Market Funds – these funds are pooled investment vehicles consisting of money market deposits and similar instruments. They have the advantage of providing wide diversification of investment risks.

CCLA Property Fund - this a local authority property investment fund. The property fund is designed to achieve long term capital growth and a rising income from investments in the commercial property sector.

Covered Bonds – these investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means they are exempt from bail-in.

Pooled Funds – shares in diversified investment vehicles consisting of different investment types including banks, equity shares and property, these funds have the advantage of providing wide diversification of investment risks