Part I – Release to Press

Meeting:	**CABINET / AUDIT COMMITTEE / COUNCIL**	**Agenda Item:**	
Portfolio Area:	Resources and Performance		
Date:	**10 September 2026 / 16 September 2026 / 21 October 2026**		

Annual Treasury Management Review 2025/26 and Prudential Indicators

NON-KEY DECISION

Author – Rhona Bellis
Contributor – Atif Iqbal
Lead Officer – Clare Fletcher
Contact Officer – Clare Fletcher/Atif Iqbal

1 PURPOSE

1.1 Note the annual Treasury Management Report for 2025/26.

1.2 Approve the actual 2025/26 prudential and treasury indicators in this report.

2 RECOMMENDATIONS

2.1 **Cabinet**

That, subject to any comments made by the Audit Committee to the Council, the 2025/26 Annual Treasury Management Review be recommended to Council for approval.

2.2 **Audit Committee**

That, subject to any comments by the Cabinet to the Council, the 2025/26 Annual Treasury Management Review be recommended to Council for approval.

2.3 **Council**

That, subject to any comments from the Audit Committee and the Cabinet, the 2025/26 Annual Treasury Management Review be approved.

3 BACKGROUND

3.1 Regulatory Requirement

3.1.1 The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2025/26. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

3.1.2 During 2025/26 the minimum reporting requirements were that the Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 26 February 2025)
- a mid-year treasury update report (Council 17 December 2025)
- an annual review following the end of the year describing the activity compared to the strategy (this report).

3.1.3 In December 2017, CIPFA revised the Code to require, all local authorities to report on:

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed; and
- the implications for future financial sustainability.

These elements are covered in the annual Capital Strategy reported to Council in February each year.

3.1.4 The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Members.

3.1.5 This report summarises:

- Capital activity during the year;
- Impact of this activity on the Council's underlying indebtedness (the Capital Financing Requirement);
- The actual prudential and treasury indicators;
- Overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances;
- Summary of interest rate movements in the year;
- Detailed debt activity; and
- Detailed investment activity.

3.1.6 Officers confirm that they have complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Audit Committee and the Cabinet before they were reported to the Council.

3.1.7 Member training on treasury management issues was undertaken during the year on 22 January 2026 in order to support members' scrutiny role.

3.2 Executive Summary

3.2.1 During 2025/26, the Council complied with its legislative and regulatory requirements as outlined in paragraph 3.1.1 above. These requirements include:

a. The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Council's minimal risk appetite, providing adequate liquidity initially before considering investment return.

b. The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

3.2.2 The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Table 1

Prudential and treasury indicators £000	31/03/2025 Actual	2025/26 Original Budget	31/03/2026 Actual
Capital expenditure			
GF	13,347	51,821	22,334
HRA	31,074	51,399	30,707
Total	**44,421**	**103,220**	**53,041**
Capital Financing Requirement			
GF	62,119	70,561	69,266
HRA	272,356	286,179	273,845
Total	**334,475**	**356,740**	**343,111**
Gross borrowing[1]	**254,057**	**306,686**	**266,057**
Investments			

[1] Excludes Finance Leases

Prudential and treasury indicators £000	31/03/2025 Actual	2025/26 Original Budget	31/03/2026 Actual
Under 1 year	46,132	30,000	51,865
Net borrowing	**227,057**	**276,686**	**214,192**

3.2.3 There was rephasing of planned capital expenditure from 2025/26 into future years resulting in an overall reduction in the use of borrowing to finance capital expenditure. Not all capital expenditure is funded from borrowing so the reduction in the capital financing requirement (the Councils need to borrow) does not match the reduction in capital expenditure. Details of the slippage are in the quarterly monitoring update reports to Cabinet – see background papers.

3.2.4 Other prudential and treasury indicators are to be found in the main body of this report. The Chief Finance Officer also confirms that borrowing (internal and external) was only undertaken for a capital purpose, and the statutory borrowing limit (the authorised limit) was not breached.

3.2.5 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the year the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2025/26.

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

4 THE COUNCIL'S CAPITAL EXPENDITURE AND FINANCING

4.1.1 Capital expenditure[2] can be financed either from capital resources the Council has on its balance sheet (e.g. capital receipts and capital grants) or by making a revenue contribution to capital. If sufficient capital resources are not available to fund the expenditure the Council would need to borrow to meet the funding gap. This borrowing may be taken externally in new loans or internally from cash balances held by the Council. The need to borrow is measured and reported through the Prudential Indicators.

4.1.2 The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

[2] Council expenditure can be classified as capital when it is used to purchase assets with a life of more than one year, exceeds £10,000 in value and meets the guidelines laid out in CIPFA accounting practices.

Table 2

Capital Expenditure and Financing £000	2024/25 Actual	2025/26 Original Budget	2025/26 Actual
General Fund			
Capital Expenditure:	13,347	51,821	22,334
Financed excluding borrowing	(9,156)	(45,393)	(14,634)
Unfinanced capital expenditure (borrowing)	**4,191**	**6,428**	**7,700**
HRA			
Capital Expenditure:	31,074	51,399	30,707
Financed excluding borrowing	(31,074)	(37,576)	(27,926)
Unfinanced capital expenditure (borrowing)	**-**	**13,823**	**2,781**

4.2 THE COUNCIL'S OVERALL BORROWING NEED

4.2.1 The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR). It represents the amount of debt it needs to/has taken out to fund the capital programme (and includes both internal and external borrowing). The CFR is then reduced as debt repayments are made, and Minimum Revenue Provisions are made. A separate CFR is calculated for the General Fund and Housing Revenue Account and any transfers of assets (such as land or buildings) between the two accounts will impact on each fund's CFR. The CFR will go up on the fund "receiving" the assets and go down (by the same amount) on the fund "giving" the asset. There were no transfers of assets in 2025/26.

4.2.2 Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies, (such as the Government, through the Public Works Loan Board [PWLB], or the money markets), or utilising temporary cash resources within the Council.

4.2.3 Reducing the CFR – the Council's (non HRA) underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This is effectively a repayment of the non-Housing Revenue Account (HRA) borrowing need, (there is no statutory requirement to reduce the HRA CFR). This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

4.2.4 The total CFR can also be reduced by:

a. the application of additional capital financing resources, (such as unapplied capital receipts); or

b. charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

4.2.5 The Council's 2025/26 Minimum Revenue Provision Policy (MRP), as required by MHCLG Guidance, was approved as part of the Treasury Management Strategy Report for 2025/26 on 26 February 2025.

The MRP charged to the General Fund in 2025/26 was £815K of which:

- £144K is funded from investment property
- £41K is funded by the new multi storey car park (Railway North)
- £157K is funded by the Garage Improvements Programme
- £131K is a net cost to the General Fund
- £119K charged for improvements to leisure facilities
- £223K housing development (wholly owned company)

4.2.6 The Council's CFR for the year is shown below and represents a key prudential indicator. It includes finance leases included on the balance sheet, which increase the Council's borrowing need. No borrowing is actually required against these schemes as a borrowing facility is included in the contract.

Table 3

CFR £000	31/03/2025 Actual	2025/26 Q3 Budget	31/03/2026 Actual
General Fund			
Opening balance	58,643	62,119	62,119
Add: unfinanced capital expenditure (as above)	4,191	8,390	7,700
Increase in finance lease obligations	1,121	-	-
Less:			
Unfinanced capital expenditure from prior years now financed	(11)	(44)	(44)
Repayment of external borrowing	(1,000)	500	500
MRP / VRP	(454)	(591)	(815)

CFR £000	31/03/2025 Actual	2025/26 Q3 Budget	31/03/2026 Actual
Finance lease repayments	(361)	(194)	(194)
Closing balance	**62,119**	**70,180**	**69,266**
Movement CFR 2024/25 to 2025/26			**7,147**
Closing balance excluding finance lease	**44,762**	**52,273**	**52,273**
CFR (£000): HRA			
Opening balance	272,384	272,356	272,356
Add: Unfinanced capital expenditure (as above)	-	6,459	2,781
Less:			
Repayment of external borrowing		(500)	(500)
Unfinanced capital expenditure from prior years now financed		(750)	(750)
Finance lease repayments	(28)	(42)	(42)
Closing balance	**272,356**	**277,523**	**273,845**
Movement CFR 2024/25 to 2025/26			**1,489**
Closing balance excluding finance lease[3]	**271,051**	**276,260**	**272,582**

4.2.7 The movement in the GF CFR between 31 March 2025 and 31 March 2026 is £7 Million, mainly made up of:

a. £7.5 Million relating to borrowing used to finance additional lending to Swingate LLP as part of the joint venture with Mace.
b. Reduction in overall borrowing as a result of the application of MRP £814K.

4.2.8 Borrowing activity is constrained by prudential indicators for gross borrowing and the CFR, and by the authorised limit.

4.3 Limits to Borrowing Activity

Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2024/25) plus the estimates of any additional capital financing requirement for the current (2025/26) and next two financial years. This essentially means that

[3] HRA leases 10 residential properties from Marshgate Ltd a wholly owned subsidiary of the Council.

the Council is not borrowing to support revenue expenditure. This indicator allowed the Council some flexibility to borrow in advance of its immediate capital needs in 2025/26. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

Table 4

Limits to Borrowing £000	31/03/2025 Actual	2025/26 Budget	31/03/2026 Actual
Gross borrowing position	254,057	287,516	266,057
Finance Leases	18,540	19,170	18,256
CFR	(334,475)	(356,740)	(343,111)
(Under) / over funding of CFR – Internal Borrowing	**(61,878)**	**(50,054)**	**(58,798)**

4.4 The **authorised limit** - the authorised limit is the "affordable borrowing limit" required by Section 3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2025/26 the Council has maintained gross borrowing within its authorised limit.

4.5 The **operational boundary** – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.

4.6 **Actual financing costs as a proportion of net revenue stream** - this indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream.

Table 5

Authorised limits	Operational Boundary £'000	Authorised Limit £'000	Actual External Debt 31/03/2026 £'000	Financing costs % of net revenue stream	
				GF	HRA
Borrowing	356,740	374,740	284,313		
Less Investments			(51,865)		
Total 2025/26	356,740	374,740	232,448	(2)%	12%

4.6.1 The ratio of financing costs to net revenue stream is equal to General Fund interest costs divided by the General Fund net revenue income from Council tax, Revenue Support Grant and retained business rates. For the HRA the net revenue stream is the income shown in the Council's accounts – rents, service charges and other income.

4.6.2 The ratio of financing costs to net revenue stream reflects the relatively high level of debt as a result of the HRA self-financing deal with the government in 2012 (HRA 2024/25 13%).

4.6.3 The General Fund comparative rates for 2024/25 are (9)%. The movement to (2%) reflects the increased cost of funding through MRP unfunded capital expenditure. Capital receipts expected to be received in 2026/27 and 2027/28 are expected to significantly reduce this funding requirement.

4.6.4 Fluctuations in average external debt during the year include additional PWLB borrowing of £12 Million and repayment of PWLB debt of £0.5 Million. The balance at the end of the year is materially lower than both the operational and authorised limits. The difference between average and maximum debt balances are minimal.

4.7 TREASURY MANAGEMENT ACTIVITIES

TREASURY POSITION AS AT 31 MARCH 2026

4.7.1 The Council's treasury management debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through Member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices.

4.7.2 At the end of 2025/26 the Council's treasury position (excluding finance leases), was as follows:

Table 6

Treasury Position (Excludes Finance Leases)	31/03/2025 Principal £000	Rate / Return 2025/26 %	Average Life 2025/26 (Yrs.)	31/03/2026 Principal £000	Rate / Return 2025/26 %	Average Life 2025/26 (Yrs.)
PWLB Borrowing	247,987	3.60	11	259,487	3.28	10
Other Borrowing (LEP)	6,570	-	5	6,570	-	4
Total External Debt	**254,557**	**-**	**-**	**266,057**	**-**	**-**
Capital Financing Requirement	(315,813)	-	-	(317,240)	-	-
Over/(Under) borrowing	**(61,256)**	**-**	**-**	**(51,183)**	**-**	**-**
Total Treasury Investments	44,196	4.95	<1	51,865	4.35	<1
Net Debt	**(17,060)**			**682**		

The maturity structure of the external debt portfolio was as follows:

Table 7

Debt Maturity Structure £000	31.3.25 Actual	2025/26 Authorised Limit	31.3.26 Actual
Within 1 Year	500		8,000
Over 1 not over 2 years	8,000		10,456
Over 2 not over 5 years	30,656		43,200
Over 5 not over 10 years	84,400		91,463
Over 10 not over 20 years	106,431		101,368
Over 20 not over 30 years	18,000		5,000
Total PWLB Debt	**247,987**		**259,487**
LEP Loan:			
Over 1 not over 4 years	6,570		6,570
Total LEP Loan	**6,570**		**6,570**
Total Debt	**254,557**	**374,740**	**266,057**

4.7.3 The General Fund loan from the Local Enterprise Partnership (LEP) is in relation to regeneration activities.

The Councils Investment portfolio (Treasury and non-treasury investments) is as follows:

Table 8

Treasury investments (all managed in house)	31.3.25 Actual £000	31.3.25 Actual %	31.3.26 Actual £000	31.3.26 Actual %
Banks and Building Societies	17,000	38%	5,000	10%
Local authorities	10,000	23%	37,570	72%
Money Market Funds	17,196	39%	9,295	18%
Total treasury investments	**44,196**	**100%**	**51,865**	**100%**
Non-Treasury investments				
Subsidiaries (para 4.8.4)	14,077	97%	23,316	98%
Subsidiary Equity (Marshgate)	418	3%	418	2%
Municipal Bond	10	-	-	-
Total Non-Treasury Investments	**14,505**	**100%**	**23,734**	**100%**
Treasury investments	44,196	75%	51,865	67%
Non-Treasury investments	14,505	25%	23.734	33%
Total of all Investments	**58,701**	**100%**	**75,599**	**100%**

The increased balance of investments with Local authorities (LA's) in the year reflects higher PWLB rates encouraging Local Authorities to look elsewhere for short term funding. The rates offered by Local Authorities during the year have exceeded the rates offered by Bank and Building societies.

The maturity structure of the investment portfolio is as follows:

Table 9

Investment Maturity Structure £000	31.3.25 Actual	31.3.26 Actual
Within 1 Year	56,316	64,862
Longer than 1 year	2,385	10,737
Total Investments	**58,701**	**75,599**

4.7.4 The non-treasury loans to the subsidiaries are made up of:

a. Marshgate LTD (WOC), for the purchase and development of housing within the Borough in 2021/22 and 2022/23 £12,972K – repayable 2026/27

b. Swingate Developments LLP - £10,262K – repayable 2027/28

c. Hertfordshire Building Control Ltd - £82K – repayable over next 4 years

4.7.5 The equity investment in Marshgate Ltd reflects the equity element of member agreed funding that was formalised in 2024/25.

4.7.6 The increase in the treasury investment balances of £8 Million between 31 March 2025 and 31 March 2026 reflects lower than expected capital expenditure in 2025/26 and the replenishment of HRA internal borrowing by £12 Million additional borrowing from PWLB.

4.8 **TREASURY MANAGEMENT STRATEGY 2025/26**

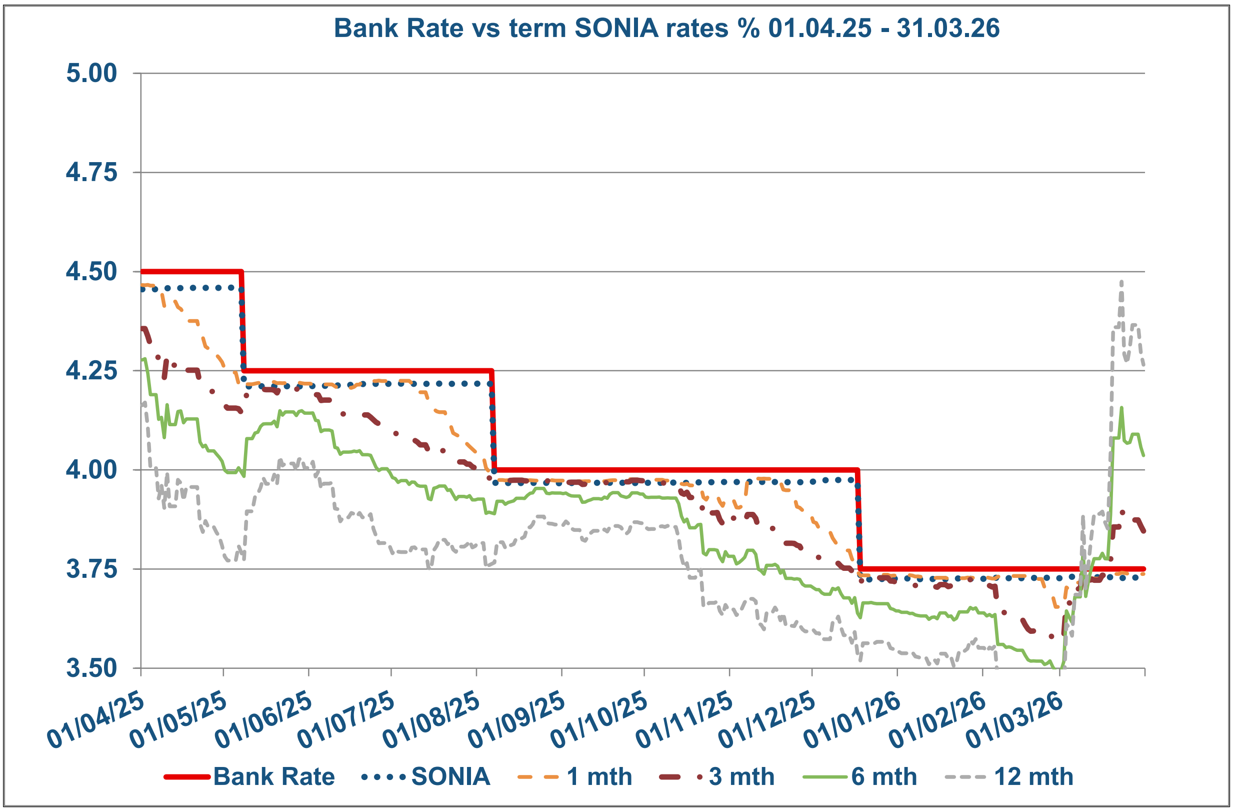
4.8.1 The Treasury Management Strategy was approved by Council on 26 February 2025.

There are no policy changes to the TMS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

4.9 **Investment strategy and control of interest rate risk**

4.9.1 Investment returns remained robust throughout the course of 2025/26 with the Bank Rate reducing steadily through the course of the financial year from 4.5% to 3.75% as at 31 March 2026. Concerns over the impact of the Middle East conflict on inflation led to further rate reductions anticipated in 2025, not materialising by the end of the year.

4.9.2 Investment Benchmarking Data – Sterling Overnight Index Averages (Term) 2025/26



4.10 **Borrowing strategy and control of interest rate risk**

4.10.1 During 2025/26, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as although near-term investment rates were equal to, and sometimes higher than, long-term borrowing costs, the latter are expected to fall back through 2026 and 2027 in the light of economic growth concerns and the eventual dampening of inflation. The Council has sought to minimise the taking on of long-term borrowing at elevated levels (>5%) and has focused on a policy of internal borrowing, supplemented by short-dated borrowing (<5 years) as appropriate.

4.10.2 The policy of avoiding new borrowing by running down spare cash balances has served the Council well over the last few years. However, this has been kept under review to avoid incurring higher borrowing costs in the future when the Council may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

4.10.3 The Council has taken some limited borrowing in 2025/26 (£12 Million) to ensure the Council's cashflow position is resilient and to ensure that if interest rates increase, large amounts of borrowing required are not all taken at higher rates.

4.10.4 At the start of April 2026, the market expected Bank Rate to increase over the coming months to 4% or 4.25%, from 3.75%. A significant fall in inflation will be required to underpin any material movement lower in the near future. The latest forecast updated on 25th March 2026 is below:

MUFG Corporate Markets Interest Rate View 25.03.26												
	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	3.75	3.75	3.75	3.75	3.50	3.50	3.25	3.25	3.25	3.25	3.25
3 month ave earnings	4.00	3.90	3.80	3.80	3.70	3.50	3.50	3.30	3.30	3.30	3.30	3.30
6 month ave earnings	4.20	4.10	4.00	3.90	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.50
12 month ave earnings	4.60	4.50	4.40	4.20	4.20	4.00	4.00	3.80	3.80	3.80	3.80	3.80
5 yr PWLB	5.00	5.00	4.90	4.80	4.60	4.40	4.20	4.20	4.10	4.10	4.10	4.10
10 yr PWLB	5.50	5.50	5.40	5.30	5.10	4.90	4.70	4.70	4.60	4.60	4.60	4.60
25 yr PWLB	6.00	6.00	5.90	5.80	5.60	5.40	5.20	5.20	5.20	5.20	5.10	5.10
50 yr PWLB	5.80	5.80	5.70	5.50	5.40	5.20	5.00	5.00	5.00	5.00	4.90	4.90

4.10.5 The PWLB certainty rate is gilts plus 80bps. Gilt yields have been volatile through 2025/26. The low point for long-term rates of 25 and 50 years' duration was reached early in April 2025 whilst the low points for short and medium dated rates were reached in early 2026, prior to the outbreak of the Middle East conflict.

4.10.6 At the close of 31 March 2026, the 1-year PWLB Certainty rate was 5.04% whilst the 5, 10, 25 and 50 year rates were 5.28%, 5.72%, 6.29% and 6.08% respectively. For the Council, external borrowing in 2025/26 related to the HRA account where the certainty rate included an additional 0.4% discount.

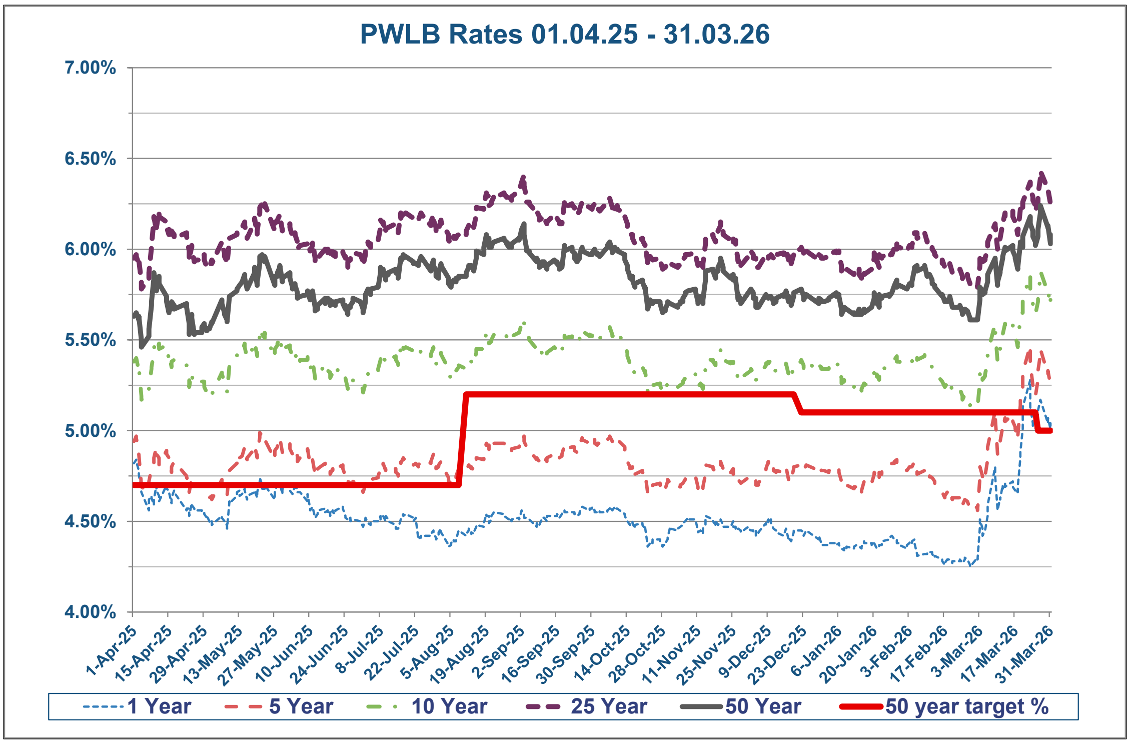
4.10.7 It is expected that rates will remain elevated into 2026/27 as Base rate is expected to remain at 3.75% for the year. Medium to long-dated borrowing rates are expected to remain "expensive".

4.10.8 As a general rule, short-dated gilt yields will reflect expected movements in Bank Rate, whilst medium to long-dated yields are driven primarily by the inflation outlook.

4.10.9 The Chart below shows the volatility of the PWLB borrowing rates from 1 April 2025 to 31 March 2026.

PWLB RATES 2025/26

Chart 1



4.11 BORROWING OUTTURN

4.11.1 One new loan was taken out in the year. This was to refinance HRA internal borrowing, details being:

£12 Million loan taken from 26 January 2026 to 24 January 2031 at an annual interest rate of 4.31%

4.11.2 Interest paid on PWLB borrowing during the year was £ 8.5 Million – Housing Revenue Account (HRA) and £40K - General Fund (GF). This was against an original budget of £8.5 Million.

4.12 INVESTMENT OUTTURN

4.12.1 Investment Policy – the Council’s investment policy is governed by MHCLG investment guidance, which has been implemented in the annual investment strategy approved by the Council on 26 February 2025. This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).

4.12.2 The investment activity during the year conformed to the approved strategy, and the Authority had no liquidity difficulties.

4.12.3 In accordance with the Treasury Management Strategy, the Council invests its surplus cash balances that are committed for future approved spending. The policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data and counterparty limits dependant on level of cash balances held.

4.13 **Treasury Investment performance year to date as of 31 March 2026**

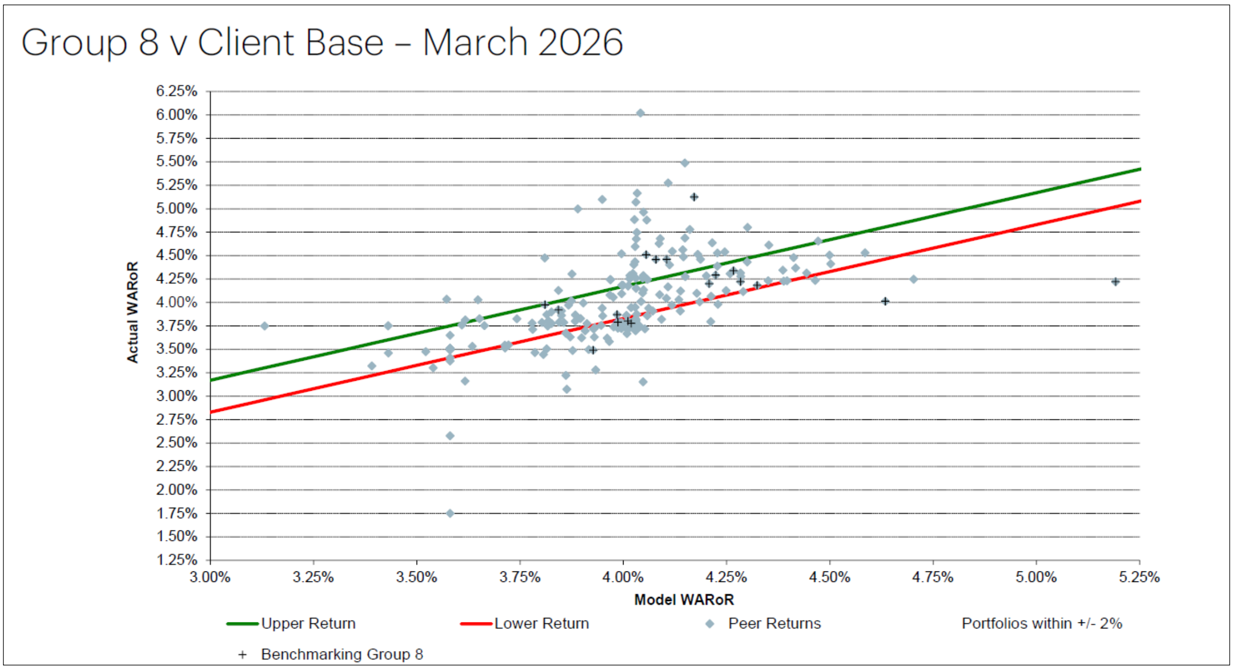
4.13.1 The Council's current treasury investment portfolio consists of "conventional" cash investments: deposits with banks and building societies, Money Market Funds and loans to other Local Authorities. No investments have been made with any of the other approved instruments within the Specified and Non-specified Investment Criteria.

4.13.2 Average level of funding available for investment purposes during the year was £60 Million, earning an average interest rate of 4.35%. Interest earned to 31 March 2026 was £2.6 Million on treasury investments (GF £1.1 Million, HRA £1.5 Million), against the working budget of £2.56 Million (GF £1.04 Million, HRA £1.52 Million).

4.13.3 The Council's treasury advisors (MUFG), provide regular benchmarking analysis of the performance of the Council's investments against a group of 20 other local authorities. The March 2026 report shows performance of the portfolio held at 31 March 2026 exceeding the upper return range against model returns. This performance is consistent across the year. The WARoR[4] for Stevenage was 4.46% against the model WARoR 3.93% to 4.28%.

[4] WARoR = Weighted average rate of return on investments

Chart 2

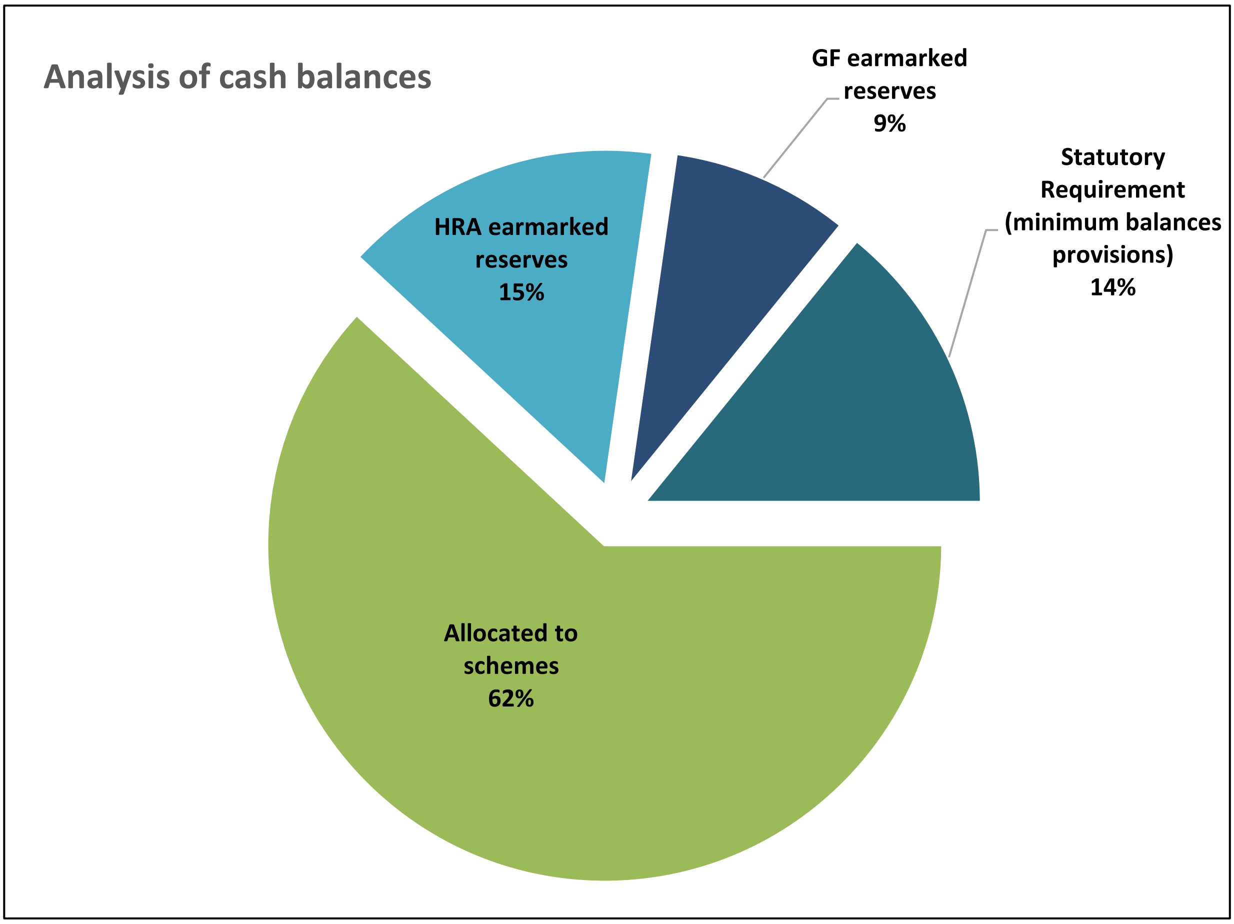


4.13.4 The Council's balances are made up of cash reserves e.g. HRA and General Fund balances, restricted use receipts e.g. right to buy one for one receipts and balances held for provisions such as business rate appeals.

4.13.5 In considering the Council's level of cash balances, Members should note that the General Fund MTFS and Capital Strategy have a planned use of resources over a minimum of 5 years and the HRA Business Plan (HRA BP) a planned use of resources over a 30-year period, which means, while not committed in the current year, they are required in future years.

4.13.6 The following chart shows the planned use of cash balances as at 31 March 2026.

Chart 3



4.13.7 The restrictive use of a proportion of the cash balances set out above, plus the planned use of resources in line with the Council's capital and revenue strategies mean that the investment balance of £52 Million as at 31 March 26 is not available to fund new expenditure.

5 IMPLICATIONS

5.1 Financial Implications

5.1.1 This report is of a financial nature and reviews the treasury management function for 2025/26. Any consequential financial impacts identified in the Capital strategy and Revenue budget monitoring reports have been incorporated into this report.

5.1.2 During the financial year Officers operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury management practices.

5.2 **Legal Implications**

5.2.1 Approval of the Prudential Code Indicators and the Treasury Management Strategy are intended to ensure that the Council complies with relevant legislation and best practice.

5.2.2 There have been no changes to PWLB borrowing arrangements since the last Treasury report. Officers will ensure that any changes to the Prudential and Treasury Management codes from 2026/27 are reflected in treasury operations and reporting requirements.

5.3 **Risk Implications**

5.3.1 The current policy of minimising external borrowing through the use of internal borrowing, where appropriate, taking advantage of the benefits differentials between investment income and borrowing rates is kept under ongoing review as these conditions change. This policy only remains financially viable while cash balances are high. Capital investment, not funded by capital receipts and grant funding reduce these balances if not supported by additional borrowing. The risk is that the Council may need to take borrowing at higher rates than budgeted which would increase revenue costs.

5.3.2 The Council's Treasury Management Strategy is based on limits for counterparties to reduce risk of investing with only a small number of institutions.

5.3.3 The thresholds and time limits set for investments in the Strategy are based on the relative ratings of investment vehicles and counter parties. These are designed to take into account the relative risk of investments and also to preclude certain grades of investments and counterparties to prevent loss of income to the Council.

5.3.4 There is a risk to the HRA BP's ability to fund the approved 30-year spending plans if interest rates continue at the current high level, although currently it is anticipated that rates will reduce. This will be included in the HRA MTFS forecast in 2026/27.

5.4 **Equalities and Diversity Implications**

5.4.1 This report is technical in nature and there are no implications associated with equalities and diversity within this report. In addition to remaining within agreed counterparty rules, the Council retains the discretion not to invest in countries that meet the minimum rating but where there are concerns over human rights issues. Counterparty rules will also be overlaid by any other ethical considerations from time to time as appropriate.

5.4.2 The Treasury Management Policy does not have the potential to discriminate against people on grounds of age; disability; gender; ethnicity; sexual orientation; religion/belief; or by way of financial exclusion. As such a detailed Equality Impact Assessment has not been undertaken.

5.5 Climate Change Implications

There are no specific climate change implications resulting from this report.

BACKGROUND PAPERS

- BD1 Treasury Management Strategy including Prudential Code Indicators 2025/26 (Council 26 February 2025)
- BD2 2025/26 Mid-Year Treasury Management Review and Prudential Indicators (Council 17 December 2025)
- BD3 First Quarter Revenue and Capital Monitoring Report 2025/26 (Cabinet 17 September 2025)
- BD4 Second Quarter Revenue and Capital Monitoring Report 2025/26 (Cabinet 12 November 2025)
- BD5 Final Capital Strategy 2025/26-2029/30 (Council 11 February 2026)
- BD6 Third Quarter Revenue and Capital Monitoring Report 2025/26 (Cabinet 11 March 2026)
- BD7 Fourth Quarter Revenue and Capital Monitoring Report 2025/26 (Cabinet 15 July 2026)

APPENDICES

- Appendix A - Investment Portfolio

Investment Portfolio 31 March 2026 **Appendix A**

Type of Investment / Deposit	Counterparty	Issue Date	Maturity Date	£000	Rate %
Money Market Fund	Aberdeen GBP Liquidity Class L1			7700	3.8
Money Market Fund	CCLA PSDF Desposit Class4			500	3.7
Money Market Fund	Morgan Stanley GBP Liquidity Institutional ZNAG			500	3.7
Money Market Fund	JPM GBP Liquidity LVNAV			500	3.8
Fixed Term Deposit	Landesbank Hessen Thuringen Girozentrale-Frankfurt	14/08/2025	13/08/2026	2000	4.1
Fixed Term Deposit	Cambridgeshire County Council	30/10/2025	29/05/2026	5000	4.4
Fixed Term Deposit	Broxbourne Borough Council-Waltham Cross	16/12/2025	16/09/2026	4570	4.7
Fixed Term Deposit	Suffolk County Council	18/12/2025	18/06/2026	5000	4.5
Fixed Term Deposit	Basildon Borough council	05/01/2026	06/07/2026	5000	4.5
Fixed Term Deposit	Folkestone & Hythe District Council	03/02/2026	03/08/2026	3000	4.5
Fixed Term Deposit	Harlow Council	23/01/2026	22/05/2026	5000	4.7
Fixed Term Deposit	Harlow Council	12/03/2026	12/06/2026	5000	5.4
Fixed Term Deposit	Lancashire County Council	24/03/2026	23/03/2027	5000	4.5
Fixed Term Deposit	Landesbank	27/03/2026	25/03/2027	3000	4.6
Fixed Term Deposit	HSBC	31/03/2026	01/04/2026	95	3.6
	Total			51865	