



APPENDIX C TREASURY MANAGEMENT REPORT 2025/26

Introduction

- 1.1 Treasury Management is the management of the council'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.
- 1.2 The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management 2021 recommends that members be updated on treasury management activities at least quarterly. The Local Government Act 2003 also requires that the council produce an annual review of treasury management activities comparing actual activity during the year with the Treasury Management Strategy approved prior to the start of the year. This report, therefore, ensures the council is implementing best practice in line with the Code.

Economic Context

- 2.1 The final quarter of the year saw:
 - Gross Domestic Produce remains low at 0.1% for the final quarter of the year, giving 1.0% overall growth for the financial year.
 - Unemployment is currently 4.9%, with annual wage inflation at 4.2%.
 - Consumer Price Index (CPI) inflation has increased in the last quarter of the financial year to 3.3% in March after the war in Iran caused the largest jump in petrol and diesel prices in over three years.
 - Borrowing has become more expensive over 2025/26. Public Works Loan Board (PWLB) rates are based on gilt yields, which rose materially in March 2026, more than reversing the falls earlier in the financial year.
- 2.2 In March, the Bank of England voted to keep interest rates unchanged at 3.75% but suggested that rates may need to rise if inflation picks up markedly. The latest projections from our treasury management advisors suggest they are likely to put equal weight on higher inflation and weaker growth and that interest rates are likely to maintain at 3.75% for the 2026/27 financial year.

Investments

3.1 At 31 March 2026, the council held investments as shown in table 1.

Table 1 Investment Portfolio

Treasury investments	Term	Maturity date	Interest rate	Amount invested £m
Instant Access Accounts:				
NatWest	N/A	N/A	1.75%	0.94
Instant Access Money Market Funds:				
Federated	N/A	N/A	3.84%	10.00
Aberdeen Standard	N/A	N/A	3.82%	10.00
Insight	N/A	N/A	3.77%	10.00
Invesco	N/A	N/A	3.79%	8.00
CCLA	N/A	N/A	3.75%	1.56
Fixed Term Deposits:				
Uttlesford District Council	28 days	07/04/2026	6.15%	4.60
Surrey County Council	33 days	13/04/2026	6.00%	2.00
London Borough of Bexley	32 days	27/04/2026	7.00%	5.00
London Borough of Newham	32 days	27/04/2026	7.00%	5.00
Total treasury investments			Average 4.60%	57.10

3.2 The council applies the credit worthiness service provided by MUFG Corporate Markets. This service employs a modelling approach utilising credit ratings from three main credit rating agencies (Fitch, Moody's and Standard and Poor's). This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system to which MUFG allocate a series of colour coded bands with suggested maximum durations for investments. These are detailed in the Treasury Management Strategy for 2025/26 as approved by Council in February 2026.

3.3 The council has earned interest on its investments as shown in table 2. There is a revenue budget of £0.552 million for 2025/26 resulting in an underspend of £1.982 million within the Central budget line before allocation of interest to schools and other balances.

Table 2: Interest earned

Month	Average amount invested £m	Average rate of interest earned	Amount of interest earned £m
Apr 25	52.1	4.54%	0.194
May 25	60.9	4.39%	0.227
Jun 25	62.7	4.28%	0.203
Jul 25	70.7	4.54%	0.266
Aug 25	77.6	4.10%	0.271
Sep 25	71.0	4.03%	0.235
Oct 25	68.0	4.04%	0.233
Nov 25	64.3	4.02%	0.212
Dec 25	57.3	3.96%	0.193
Jan 26	53.2	3.84%	0.174
Feb 26	42.9	3.81%	0.124
Mar 26	58.5	4.06%	0.202
Total			2.534
Budget			0.552
Underspend variance			1.982

- 3.4 In addition to the investment income, the council earns interest on the provision of loan finance to the waste disposal PFI provider. This has generated loan interest of £1.8 million in 2025/26 and has been credited to the waste reserve.

Borrowing

- 4.1 The council can only borrow up to its Authorised Borrowing Limit which represents the affordable limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements. The Authorised Borrowing Limit for external borrowing (excluding PFI and leases) for 2025/26 is £350 million which was approved in the Treasury Management Strategy.
- 4.2 In the quarter 3 report, it was reported that significant planned further borrowing will be undertaken in the final quarter of the financial year, due to actual expenditure within the capital programme and the ongoing impact of financing the DSG deficit.
- 4.3 At 31 March 2026, the council held long-term borrowing of £185.1 million; this includes a new long-term loan of £55.0 million which has been secured during the final quarter of the financial year (10-year repayment term at 4.83% interest). The council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR), this is the capital expenditure that has not yet been paid for by revenue or other resources. The council's CFR at 31 March 2026 is £330.8 million, which demonstrates that the Council has significant internal borrowing when compared to the actual long-term borrowing (excluding PFI liabilities) of £185.1 million.
- 4.4 In line with the Treasury Management Strategy, the council will use short-term borrowing from other local authorities for short-term liquidity needs. During the financial year, the council has undertaken two short term loans from other local authorities of £5.0 million each with an interest rate of 4.55%, including broker's commission of 0.10%. Each loan is for 182 days to be repaid in June 2026.
- 4.5 The current capital financing budget position is shown in table 3. The underspend has arisen from utilisation of internal borrowing over external borrowing, alongside a slippage in the capital investment budget spend.

Table 3: Summary of borrowing budget

	Budget £m	Outturn £m	(Surplus)/deficit £m
Minimum Revenue Position (MRP)	11.8	11.3	(0.5)
Interest Payable on loans	5.8	6.0	0.2
Total	17.6	17.3	(0.3)

Compliance with Treasury and Prudential Limits

- 5.1 During the quarter ended 31 March 2026, the council has operated within the treasury and prudential indicators set out in the Treasury Management Strategy for 2025/26. Actual values for quarter 4 are shown in table 4.
- 5.2 Treasury indicators for quarter 4 are shown as actual values as at 31 March 2026, e.g. for PI4 (authorised limit for external debt), the actual value of external debt as at 31 March 2026 of £231.1 million is shown against a Treasury Indicator limit of £420.0 million as approved in the Treasury Management Strategy. This means that actual debt is lower than the approved limit and the council is operating within agreed boundaries.

5.3 Prudential indicators (PI) for quarter 4 are shown as actual outturns for the financial year 2025/26, e.g. for PI1 (capital expenditure), the outturn spend for the financial year 2025/26 of £86.0 million is shown against a Prudential indicator value approved in the Treasury Management Strategy of £155.2 million. This means that capital expenditure for 2025/26 outturn is lower than was budgeted for at the start of the year.

Table 4: Prudential and Treasury indicators for 2025/26 as at 31 March 2026

Ref	Treasury indicators	Description	2025/26 Budget/Limit £000	Actual as at 31 March 2026 £000	Compliance result
PI4	Authorised limit for external debt	To set an authorised limit for its gross external debt for the forthcoming financial year (includes PFI liabilities)	420,000	231,160	Within limit
PI5	Operational boundary for external debt	To set an operational boundary for its gross external debt for the forthcoming financial year (includes PFI liabilities)	400,000	231,160	Within limit
PI8	Upper limit for principal sums invested over 364 days	To set an upper limit for total principal sums invested over 364 days	5,000	NIL	Within limit
PI7	Maturity structure upper and lower limits:	To set upper and lower limits for the maturity structure of its borrowing			
	Under 12 months		0-10%	7%	Within limit
	12 months to 2 years		0-10%	7%	Within limit
	2 to 5 years		0-25%	15%	Within limit
	5 to 10 years		0-35%	28%	Within limit
	10 years and above		0-80%	43%	Within limit
Ref	Prudential indicators	Description	2025/26 Budget £000	2025/26 Actual £000	Compliance result
PI1	Capital expenditure	A reasonable estimate of the total capital expenditure that it plans to incur during the forthcoming financial year	155,247	85,991	Under budget
PI2	Capital financing requirement (CFR)	A reasonable estimate of the total capital financing requirement at the end of the forthcoming financial year	378,079	330,810	Under budget
PI3	Gross debt and CFR	To ensure that the total gross debt does not, except in the short term, exceed the total of capital financing requirement	64%	70%	Below 100%, within limit
PI6	Ratio of financing costs to net revenue stream	To estimate the proportion of financing costs to net revenue stream for the forthcoming financial year	10%	10%	In line with budget
PI9	Ratio of net commercial and service investments income to net revenue stream	To estimate the proportion of net income from commercial and service investments to net revenue stream for the forthcoming financial year	1%	1%	Low reliance on this income