



Report To:	Audit and Governance Committee
Date:	29 th June 2026
Subject:	Annual Treasury Report 2025/26
Purpose:	To provide Members with the Annual Treasury Report 2025/26 in accordance with the Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management to ensure best practice is maintained.
Key Decision:	No
Portfolio Holder:	Councillor Sandeep Ghosh, Portfolio Holder for Finance and Economic Growth
Report Of:	Russell Stone, Executive Director – Finance (Section 151 Officer)
Report Author:	Sean Howsam, Treasury & Investments Manager (PSPSL)
Ward(s) Affected:	None directly.
Exempt Report:	No.

Summary

Attached at **Appendix 1** is the Annual Treasury Report detailing the Council's activities and actual prudential and treasury indicators for 2025/26. It covers the following areas;

- A high level summary of capital expenditure and financing for 2025/26;
- An economic update for the 2025/26 financial year
- A review of the Council's investment portfolio for 2025/26;
- A review of the Council's borrowing strategy for 2025/26;
- Debt position;
- Compliance with Treasury and Prudential indicators.

This Report refers to a key element of the Council's Governance Framework and represents an important contribution to the evidence trail in support of the Annual Governance Statement 2025/26.

Recommendations

That the Audit and Governance Committee scrutinise the Annual Treasury Report 2025/26 at **Appendix 1** and make any comments for consideration by Council when they consider this document for approval at their meeting on 13 July 2026.

Reasons for Recommendations

The Council is required to produce an Annual Treasury Report after the end of each financial year in accordance with the Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management.

Other Options Considered

As this is an update report there are no further options for consideration.

1. Background

1.1 The Council approved its Treasury Management Strategy for 2025/26 on 3 March 2025. This report now provides the Annual Treasury Report 2025/26 (**Appendix 1**) for Audit and Governance Committee to make any comments for consideration by Council when they consider this document for approval at their meeting on 13 July 2026.

2. Report

2.1 Capital expenditure (including leases) for 2025/26 was £20.372m of which £19.839m was financed by grants and internal resources. The remaining £0.533m was unfinanced and increased the Council's Capital Financing Requirement.

2.2 As at 31 March 2026, treasury investment balances were £20.876m compared with £35.339m the previous year and non-treasury investment balances were £14.506m compared with £15.330m the previous year. All treasury investments will mature in less than one year and the non treasury investments are long term investments in property funds.

2.3 The following table provides an analysis of the net treasury position following the decision to repay the PWLB borrowing in 2023/24 and the State Street loan in 2025/26. It takes account of the discounts (allocated to revenue over a ten year period) and the premiums (allocated to revenue over a 26 year period) in accordance with proper accounting practice.

Investment Type	2025/26 Annual Budget	2025/26 Outturn	2025/26 Variance
<u>Treasury Investments Income</u>			
Gross Interest	(1,039,588)	(1,402,987)	(363,399)
Brokers Fees	<u>10,000</u>	<u>0</u>	<u>(10,000)</u>
Net Position	(1,029,588)	(1,402,987)	(373,399)
<u>Property Funds</u>			
Gross Distributions	(862,523)	(660,403)	202,120
Less Management Fees	<u>170,000</u>	<u>173,862</u>	<u>3,862</u>
Net Distributions	(692,523)	(486,541)	205,982
Premature Repayment of Borrowing Discount Allocated to Revenue	(641,743)	(641,743)	-
Premature Repayment of State Street Borrowing - Premium Allocated to Revenue	-	18,047	18,047
Less: Borrowing Interest Payable	111,250	64,718	(46,532)
Less: PWLB Borrowing Fee	-	350	350
Net Position	(2,252,604)	(2,448,156)	(195,552)

It can be seen from the above table that the overall net treasury position for 2025/26 was net income of £2,448,156 compared to a budget of £2,252,604 resulting in a net surplus of £195,552 for the year.

- 2.4 The rate of return on the Council's treasury investments averaged 4.75% for the 2025/26 financial year. Property funds achieved a net rate of 2.84%. This gave a combined rate of 4.04% for the year.
- 2.5 In addition to the above, the Council received distribution payments of £219,037 from the liquidation of the M&G property fund. In accordance with the Council's Minimum Revenue Provision (MRP) policy these receipts have been used to finance the MRP charge and reduce the Council's Capital Financing Requirement (CFR).
- 2.6 A full analysis of the Council's property fund investments can be found in Section 9 of **Appendix '1'**.
- 2.7 A full review of the economy and interest rates is detailed in Section 8 of **Appendix '1'**.
- 2.8 The Council's Investment Policy and Strategy is kept under constant review with the aim of balancing risk and reward. The investment criteria agreed for 2025/26 permitted investments with banks whose parent bank originates from a country with a sovereign rating of A+ or higher and meets MUFG's counterparty investment criteria.
- 2.9 The Council's 2025/26 accounts are subject to external audit which may result in some amendments to the figures being reported in this Annual Report.

3 Conclusion

3.1 This report provides a review of treasury management performance for the financial year 2025/26 to Members to ensure best practice is maintained as required by the CIPFA Code of Practice for Treasury Management.

Implications

South and East Lincolnshire Councils Partnership

None.

Corporate Priorities

None.

Staffing

None.

Workforce Capacity Implications

None.

Constitutional and Legal Implications

The General Power of Competence in the Localism Act 2011 allows Councils a broad freedom in their operations.

Councils have the general power to borrow under Section 1 of the Local Government Act 2003.

The power to invest is set out in the Local Government Act 2003, Section 12, which gives the Council the power to invest for any purpose relevant to its functions under any enactment, or for the purposes of the prudent management of its financial affairs.

The power that allows councils to spend for capital purposes is included in the Local Government Act 2003.

Data Protection

None.

Financial

The financial implications are covered in detail in **Appendix 1** to this report and in section 2 above.

By making the investment criteria relating to financial institutions stringent, the Council receives lower rates of return. The Council therefore aims to strike a balance between risk and reward when considering its portfolio of investments. Treasury Management is a key

financial consideration for the Authority especially in respect of its investment returns and Capital Programme.

Risk Management

The Code of Practice sets out the framework for controlling the risks associated with treasury management decisions for borrowing and investing. Ultimately investment and borrowing decisions are made in accordance with the Council's Treasury Management Strategy. The overriding priority is that the security of a deposit takes precedence over a return on investment.

The Prudential and Treasury Indicators control the limits for investing and borrowing, to ensure that any borrowing is affordable and sustainable and long term borrowing is for capital purposes only.

The Council's priority is the security of its investments.

Stakeholder / Consultation / Timescales

The Portfolio Holder for Finance is briefed on treasury performance on a regular basis.

Reputation

The security of investments is the Council's main priority when investing surplus cash.

Contracts

None.

Crime and Disorder

None.

Equality and Diversity / Human Rights / Safeguarding

None.

Health and Wellbeing

None.

Climate Change and Environmental Implications

None.

Acronyms

CFR - Capital Financing Requirement

CIPFA - Chartered Institute of Public Finance and Accountancy

CPI - Consumer Price Index

ECB – European Central Bank

EZ - Eurozone

FOMC - Federal Open Market Committee
 GDP - Gross Domestic Product
 MHCLG - Ministry of Housing, Communities and Local Government
 MRP - Minimum Revenue Provision
 MUFG - External Treasury Advisors (previously Link)
 myy - month year on year
 PWLB - Public Works Loan Board
 SONIA - Sterling Overnight Index Average
 VRP - Voluntary Revenue Provision
 y/y - year on year

Appendices

Appendices are listed below and attached to the back of the report:

Appendix 1 Annual Treasury Report 2025/26

Background Papers

Background papers used in the production of this report are listed below: -

Document title.

Where the document can be viewed.

Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management.	CIPFA Website
BBC Treasury Management Strategy Statement for 2025/26	(Public Pack)Agenda Document for Full Council, 03/03/2025 18:30

Chronological History of this Report

A report on this item has not previously been considered by a Council body for the current financial year but quarterly reports have been received by the Audit and Governance Committee.

Report Approval

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