

3.0 ANNUAL TREASURY MANAGEMENT AND PRUDENTIAL INDICATORS REPORT 2025/26

OVERVIEW

3.1 This section of the report presents the results of the Treasury Management operations of the Council for 2025/26 and the outturn position on Prudential Indicators.

BACKGROUND

3.2 Treasury Management in Local Government is governed by the CIPFA Code of Practice on Treasury Management in Public Services and in this context is the management of the Councils borrowing, cash flows, its banking and capital market transactions, the effective control of the risks associated with those activities and the pursuit of optimal performance consistent with those risks. The Council has adopted the Code and complies with its requirements.

3.3 The Code recommends that Members should be informed of Treasury Management activities including as a minimum an Annual Strategy, a mid-year review and an annual report after the year end. This report ensures, therefore, that the Council is adopting Best Practice in accordance with CIPFA's Code of Practice.

3.4 This report has been prepared in the context of the Annual Treasury Management Strategy for 2025/26 approved by Executive on 21 January 2025 and Council on 26 February 2025.

3.5 This **Annual Treasury Management Report** for 2025/26 addresses the following:-

- the Council's overall treasury (debt and cash) position
- performance measurement
- Treasury Management Strategy for 2025/26
- the Economy in 2025/26
- borrowing and investment rates in 2025/26
- borrowing outturn for 2025/26
- debt rescheduling and the Premature Repayment of External Debt
- investment outturn for 2025/26
- revenue impact of 2025/26 Treasury Management Activity
- compliance with Treasury limits and Prudential Indicators
- approved lending list

3.6 The key statistics and/or performance indicators explained in this report can be summarised as follows:

- long term external debt decreased from £367.1m (at 31 March 2025) to £350.4m. There has been no new borrowing throughout 2025/26.

- the average rate of interest on this debt was 3.74% (3.76% at 31 March 2025)
- for cash invested the average rate of interest achieved was 4.38% compared to the average 7-day market rate of 4.02% and the average bank rate of 4.04%. Investments placed during 2024/25 that matured in 2025/26 have an affect on the Council's in year performance when measured against bank rate during a period of base rate decreases.
- None of the approved Treasury Management Prudential Indicators were breached during the year. As reported in the Quarter 1 Report, there was a single breach of the approved Counterparty limits within the Annual Investment Strategy during the year. The breach was driven by the substantially increased balances invested by the Council since Local Government Re-organisation and a substantial cash inflow on the day in question. As a result of this breach, processes were reviewed in conjunction with the Council's Treasury Advisors, MUFG Corporate Markets, and revised limits were implemented. There have been no further breaches since this review.

OVERALL TREASURY (DEBT AND CASH) POSITION

3.7 The Council's position at the beginning and end of the 2025/26 financial year was as follows:-

	As at 31 March 2025		As at 31 March 2026	
	Principal	Weighted Average Return	Principal	Weighted Average Return
	£m	%	£m	%
External Debt Outstanding				
PWLB	352.1	3.75	340.4	3.73
Money Market LOBOs	15.0	4.04	10.0	4.15
	367.1	3.76	350.4	3.74
Investments (NYC only)	544.6	5.13	506.4	4.38
Net Investment	177.5	N/A	156.0	N/A

3.8 In the above table the weighted average rate for 'cash available' is expressed on an annualised average basis.

TREASURY MANAGEMENT STRATEGY 2025/26

3.9 The expectation for interest rates incorporated within the **Annual Treasury Management Strategy for 2025/26** was based on officers' views at that time, prepared with assistance from the Council's Treasury Management Advisor, MUFG Forward Markets (Link Group), and supported by a selection of City forecasts.

3.10 The interest rates for the UK were expected to be as follows:

Bank Base Rate was expected to fall over the course of the year from 4.50% in March 2025 to 3.75% in March 2026, and expected to stabilise at 3.50% by September 2026.

PWLB Borrowing rates were expected to fall over the next one to two years, following the Bank Rate decreases.

3.11 Based on the above, the Strategy adopted by the Council for 2025/26 was as follows:

a) Long Term Debt to Finance Capital Expenditure (borrowing strategy 2025/26)

2025/26 was expected to commence with relatively high interest rates, with rate decreases expected over the course of the year. With the relatively high interest rates the Council had elected to continue to maintain an under-borrowed position.

Borrowing in advance of need within the constraints of the Prudential Code and approved Prudential Indicators would only be considered in exceptional circumstances.

Consideration would be given to financing capital expenditure by taking borrowing from PWLB/money markets, but the key treasury strategy was to postpone borrowing and maintain an under borrowed position to avoid the cost of holding higher levels of investments and to reduce counterparty risk.

In considering this option however, day to day cash flow constraints and the loss of longer term interest stability would also be taken into account together with the possibility of having to replace the internal borrowing with external borrowing in a subsequent year at higher interest rates.

b) Investment of Surplus cash (investment strategy 2025/26)

The Council's investment priorities are firstly the security of capital and secondly the liquidity of its investments. The highest return would then be sought provided that proper levels of security and liquidity are achieved. The investment risk appetite of the Council is low in order to give priority to the security of investments.

THE ECONOMY IN 2025/26

3.12 The Council's treasury advisors MUFG Forward Markets (Link Group), summarised the key points associated with economic activity in 2025/26 as follows:

UK Economy

- As with 2024/25, UK inflation has proved somewhat stubborn throughout 2025/26. Having started the financial year at 3.5% y/y (April), the CPI measure of inflation peaked at 3.8% from July to September, before dipping to 3% in January and February. Core inflation picked up to 3.2% in February, from 3.1%, and the recent upward pressure on energy costs could see CPI inflation breach 4.5% later this year.
- Against this backdrop, the continued lack of progress in ending the Russian invasion of Ukraine, and the potentially negative implications for global growth as a consequence of the implementation of US tariff policies, Bank Rate reductions look limited for the remainder of 2026 (as they do in the euro-zone). Bank Rate currently stands at 3.75%.

USA

- Despite a weak finish to 2025, the US economy has generally been the strongest among the developed economies, but with uncertainties growing surrounding the administrations unpredictability of tariff changes and the FOMC Fed Funds rate decision-making, there is some uncertainty when, and if, rates will be cut further in 2026.

- Inflation is currently stuck at around 2.5%, unemployment is only a little above 4%, and tax refunds are in the process of being facilitated for many households.
- The S&P500 started April 2025 at 5,633 and finished March 2026 at 6,528 having peaked at just over 7,000. The 10-year Treasury yield finished March at 4.30% having been 4.17% back at the start of April, and during the year has been both above 4.50% and below 4.00%.

EU

- The Eurozone economy has run pretty much in parallel with that of the UK. A slightly stronger finish to 2025 (GDP of 0.2% q/q) than that of the UK cannot hide the fact that the economy has been negatively impacted by German economic stagnation until late in 2025. France has also struggled against a difficult political backdrop, but managed to post GDP growth of 0.3% q/q for October to December.
- With Eurozone headline inflation close to 2%, the ECB has been able to reduce its Deposit Rate to 2%. Whether it rises from that low point will very much be driven by how energy prices trend over the coming months. The Euro has appreciated against the dollar from 1.08 at the start of April 2025 to 1.16 at the end of March.

BORROWING AND INVESTMENT RATES IN 2025/26

3.13 Notwithstanding the forecasts for interest rates and prospects for the economy in 2025/26 as projected in February 2025 the actual interest position experienced during the year is described below.

3.14 The movement in relevant UK market interest rates for the year was as follows:

a) for Bank rate

Period	%
1 April 2025 – 7 May 2025	4.50
8 May 2025 – 6 August 2025	4.25
7 August 2025 – 17 December 2025	4.00
18 December 2025 – 31 March 2026	3.75

b) for PWLB rates

Item	Range during Year	Start of Year	End of Year	Average In Year
	%	%	%	%
Fixed Interest Maturity				
1 year	4.25 – 5.28	4.82	5.04	4.52
5 years	4.56 – 5.47	4.97	5.28	4.82
10 years	5.13 – 5.88	5.42	5.72	5.38
25 years	5.78 – 6.43	5.98	6.29	6.06
50 years	5.46 – 6.24	5.67	6.08	5.81

The PWLB rates in the above table reflect the PWLB 0.2% discount rate.

BORROWING OUTTURN FOR 2025/26

3.15 The year on year movement in the external debt position is as follows:-

Item	£m	£m
Debt outstanding at 1 April 2025		
PWLB	352.1	
Other institutions	15.0	
		367.1
New borrowing in the year		0.0
Scheduled debt repayments in year		-16.7
= external debt outstanding at 31 March 2026		350.4

3.16 The reduction in external debt during 2025/26 of £16.7m (from £367.1m to £350.4m) reflects the impact of debt repayments, as two loans, one Market Loan and one PWLB loan, were fully repaid in the year.

3.17 The following analysis shows the maturity profile of the Council's long term debt as at 31 March 2026.

Item	Debt	Weighted average interest rate
	£m	%
PWLB		
Maturing within		
1 year		-
1-2 years	15.0	3.10
2-5 years	17.2	2.95
5-10 years	57.5	2.90
10-20 years	16.8	3.32
20-30 years	159.9	4.30
30-40 years	49.5	4.25
40-50 years	24.5	2.63
Total	340.4	3.73
HRA	102.1	3.36
Non HRA	238.3	3.89
Money Market Loans – All Non-HRA		
Dexia Bank		
70 years but fixed for 3 years (to 18/08/2026)	10.0	4.15
total as at 31 March 2026	350.4	3.74
total as at 31 March 2025	367.1	3.76

3.18 External interest payable for PWLB debt for 2025/26 was £12.8m of which £3.3m related to HRA debt and £9.5m related to General Fund debt. Interest payable on Money Market Loans totalled £0.5m, all of which related to the General Fund.

3.19 Recognising the Borrowing Strategy, the economic situation in 2025/26 and the actual borrowing rates during the year, the borrowing approach taken in 2025/26 was as follows:-

- a) in view of interest rate forecasts it was recognised that the internal borrowing strategy was not a significant risk throughout 2025/26. Continuing substantial cash balances ensured there was no need to borrow for cash flow purposes alone. Deferral of any potential new borrowing also supported the Council in terms of reduced credit risk on its investments;
- b) it was appreciated that the overall forecast for long term borrowing rates is to decrease over the next few years and, therefore, consideration was also given to weighting the short term advantage of internal borrowing against potential long term costs. A close watch will, however, continue to be kept on interest rates;
- c) the 2025/26 borrowing requirement served to increase the internal financing position, however the internal financing position ultimately fell in year due to the annual Minimum Revenue Provision for debt repayment. One additional external debt repayment was made in the year due to the opportunity presented to the Council to achieve a discount on repayment of this loan. A second debt repayment was made in the year, however this did not attract any discount or premium upon repayment;
- d) the internal borrowing strategy achieves significant short term revenue savings and also mitigates the credit risk incurred by holding investments in the market. The strategy is not risk free, however, in terms of the loss of long term stability in interest payments, operational cash flow and ultimate refinancing of the capital borrowing requirement;
- e) looking ahead to future years, the Capital Financing Requirement is forecast to continue falling as the annual Minimum Revenue Provision for debt repayment exceeds the annual capital borrowing requirement. There is, however, further significant maturing debt and both these factors will be reflected in the annual consideration of how to finance the cumulative internally financed (under borrowed) position and the borrowing requirement for each year.

3.20 As at 31 March 2026, the Capital Finance Requirement was £705.3m (£555.9m debt and £149.4m leases) resulting in an underborrowed position of £205.5m. (**Appendix B**). The Leases position contains an in year accounting adjustment driven by a change in accounting regulations under IFRS16. Final in-year figures may be subject to change as part of the preparation of the Council's year-end Statutory Accounts.

3.21 It is a statutory duty for the Council to determine and keep under review its "Affordable Borrowing Limits". The Council's approved Prudential Indicators (affordable limits) were outlined in the Treasury Management Strategy Statement (TMSS). A list of the limits is shown in **Appendix B**. The Prudential Indicators were not breached during the year.

3.22 The TMSS indicated that there was no requirement to take long term borrowing during 2025/26 to support the budgeted capital programme.

3.23 The Council approved an Authorised Borrowing Limit of £643.7m (£441.1m debt and £202.6m leases) and an Operational Borrowing Limit of £623.7m (£421.1m debt and £202.6m leases) for 2025/26 in February 2025 within the Council's Treasury Strategy.

3.24 As at 31 March 2026, Long Term Borrowing totalled £499.8m (£350.4m debt, £149.4m leases).

- 3.25 The Treasury strategy, in relation to capital financing, is to continue the voluntary set aside of Minimum Revenue Provision (MRP) payments from the HRA in relation to self-financing debt, to allow for repayment of the outstanding debt. The voluntary set aside of the HRA MRP has been charged in accordance with budget for the 2025/26 financial year. In future years, HRA MRP will be charged for loans with annual principal repayments. As a result, £1,200k of HRA voluntary MRP was incurred in 2025/26.
- 3.26 In addition to the HRA, a decision has also been made to make a Voluntary Revenue Provision (VRP) contribution for the General Fund in year, totalling £5,000k. This voluntary contribution is in addition to the regular MRP charge incurred by the General Fund each year, which amounted to £14.7m in 2025/26. The opportunity to undertake an additional voluntary contribution in year has arisen due to the overperformance on Treasury Investments versus budget, as outlined in Paragraph 3.35.
- 3.27 As at 31 March 2026, the Council was in an underborrowed position of £205.5m. This means that capital borrowing (external debt) is currently lower than the Council's underlying need to borrow.
- 3.28 The underborrowed position is in line with the approved Treasury Management Strategy.

DEBT RESCHEDULING AND THE PREMATURE REPAYMENT OF EXTERNAL DEBT

- 3.29 The rescheduling of debt involves the early repayment of existing debt and its replacement with new borrowing. This can result in one-off costs or benefits called respectively premiums and discounts dependent on whether the rate of the loan to be repaid is higher (premium) or lower (discount) than comparative current rates.
- 3.30 During the year, one of the Council's Money Market Loans was repaid early following discussions with the lending counterparty. This decision was made following an indication from the lending counterparty of an intention to increase the interest rate on the loan from 3.78% to 6.32%. The early repayment of this loan has enabled the Council to avoid the associated increased interest charges this would have attracted. One PWLB loan also matured and was repaid in year.

INVESTMENT OUTTURN FOR 2025/26

Internally Managed Investments

- 3.31 The Council's investment policy is governed by MHCLG guidance which has been implemented in the annual investment strategy approved in February 2025. This policy sets out the approach for choosing investment counter parties 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 price etc.
- 3.32 The investment activity during the year conformed to the approved strategy and the Council had no liquidity difficulties.
- 3.33 The Council currently manages its cash investments in-house and only invests with the organisations specified in its Approved Lending List. Investments were made for a range of periods from overnight to 12 months dependent on cash flow, interest rates on offer and interest rate expectations. The investment position was managed as follows:

- a) the Council generally looks to keep most cash invested for short periods (to cover specific dates and cash flow requirements);
- b) the general approach throughout the year was, therefore, one of keeping investments at shorter dates whilst taking advantage of perceived good value for longer term investments;
- c) no investments for longer than one year were made during 2025/26 and none were in place at 31 March 2026 (£40m maximum limit);
- d) Council investments have continued to benefit from increased interest rates over the course of 2025/26, though returns through the year did continue to fall following Bank of England Base Rate decreases;
- e) less use was made of business reserve accounts for cash flow generated balances. Alternatively, a number of “notice” accounts were used during the year with notice periods varying between 31 and 180 days which offered attractive rates of return. Increasingly using longer fixed rate investment opportunities and lending to other Local Authorities has been required to achieve acceptable rates. The Council will continue with this strategy in the future, subject to satisfying the stringent Approved Lending List criteria;
- f) as in the previous year, the overall level of investments was depressed throughout the year through the agreed strategy of internally funding the 2025/26 and recent previous years capital borrowing requirements.

3.34 The results of the Council’s investment activities for 2025/26 were as follows:-

Number of loans made	538
	£m
Balance outstanding 01/04/2025	637.74
Balance outstanding 31/03/2026	640.91
Average daily balance during 2025/26	731.92
Interest Earned	30.4
Average Rate achieved 2025/26	4.38%
Average 7 Day Rate 2025/26	4.02%
Average Bank Rate 2025/26	4.04%

3.35 Of the £30.4m earned by the Investment pool in 2025/26, £6.3m relates to other bodies. The Council’s share of the pool amounted to £24.1m, of which £0.7m was attributed to the HRA and £23.4m to the General Fund. The total Dividend and Interest earned position for the year has exceeded the 2025/26 budget by £4,839k.

3.36 An analysis of the investments placed at 31 March 2026 totalling £640.91m is attached at **Appendix A**.

3.37 No institutions in which investments were made had any difficulty in repaying investments and interest in full during the year.

Treasury Management Investment Pool

- 3.38 The level of funds loaned out and interest earned figures reported above include transactions relating to the various independent bodies for which the Council provided treasury management services during 2025/26.
- 3.39 Due to the size of the cash balances of these bodies, the Council operates a 'sweep' arrangement under which any surplus cash of the organisation(s) are merged with similar funds managed by the Council to secure better overall returns in the money market.
- 3.40 This arrangement is advantageous to these bodies because on their own the day to day balances in their bank accounts can be volatile and unpredictable and yet are small in terms of involvement in the money market.
- 3.41 Interest is paid out to these organisations at the same overall average rate as earned by the Council on the total funds loaned out, and they are charged an annual fee for the service provided.
- 3.42 Any loss incurred as a result of default by a bank / building society counterparty would be apportioned between the Council and these organisations in proportion to the total surplus cash funds of each organisation, at the time of default.
- 3.43 In terms of levels of balances outstanding the position is as follows:-

Item	31-Mar-25	31-Mar-26	Interest Earned in 2025/26
	£m	£m	£000
NY Pension Fund	15.0	5.0	705.5
NY Fire and Rescue Authority	17.0	24.0	1,174.5
Yorkshire Dales National Park	5.4	5.5	271.7
North York Moors National Park	7.9	7.6	363.8
Peak District National Park	9.6	9.7	475.5
Y&NY Combined Authority	33.3	65.3	3,155.1
National Parks England	0.4	0.9	39.0
Align Property Partners	2.5	1.3	55.1
Align Property Services	1.9	1.2	67.1
First North Law	0.1	0.1	3.5
NYnet Limited	0.0	0.0	0.0
	93.1	120.6	6,310.8
North Yorkshire Council	544.6	520.3	24,094.1
Total	637.7	640.9	30,404.9

Fund Managers and Externally Managed Investments

- 3.44 The option to use external Fund Managers for management of an element of the Investment Portfolio has been kept under constant review throughout 2025/26 and is discussed as part of regular strategy meetings with the Council's Treasury Management advisors, MUFG Forward Markets (Link Group).
- 3.45 No Fund Managers were used during 2025/26.

ALTERNATIVE INVESTMENTS

3.46 Alternative non-treasury investments are considered as part of the Capital Strategy. Given the technical nature of potential alternative investments and strong linkages to the Council's Treasury Management function, appropriate governance and decision making arrangements are needed to ensure robust due diligence in order to make recommendations for implementation. As a result, all investments are subject to consideration and where necessary recommendations of the Commercial Investment Board.

3.47 The primary objectives of alternative investment activities are:

- a) Security – to protect the capital sums invested from loss; and
- b) Liquidity – ensuring the funds invested are available for expenditure when needed.

3.48 Non-core activities and investments are primarily undertaken by the Council in order to generate income to support the delivery of a balanced budget. Such investments are only entered following a full assessment of the risks and having secured expert external advice (i.e. where it is relevant to do so).

3.49 In order to manage risk appropriately, achieve targets for investment returns, deliver a diverse portfolio and maintain a level of liquidity, the Commercial Investment Board has established an investment framework. The investment framework provides a range of investment options and investment limits for each option.

Commercial Property

3.50 Options are continually reviewed for the acquisition of land and buildings for investment purposes. Such assets will be classified as Commercial Property.

3.51 The investments in Commercial Property are classed as capital expenditure. As Commercial Properties are funded from core cash balances, the investments are effectively funded from internal borrowing for capital accounting purposes. As a result, expenditure on Commercial Property investments are included in the calculation of the Capital Financing Requirement (CFR). When the Council ultimately disinvests and sells the properties, the income will be classed as a capital receipt and applied to reduce the CFR. The Council will not borrow to fund commercial investment through loans from PWLB or money markets.

3.52 Commercial Properties in place as at 31 March 2026 are as follows:

Property	Date Purchased	Investment	Valuation as at 31/03/26*	Rate of Return	Return
		£000	£000	%	£k
Bank Unit in Stafford Town Centre	May-19	876.0	525.0	39.48	345.8 **
Co-op Store in Somercotes	Mar-19	1,497.3	1,170.0	6.00	89.9
		2,373.3	1,695.0	18.36	435.7

*Asset Valuations as at 31/03/2026 currently pending. Values shown in this report are the valuations as at 31/03/2025

**The in year revenue return for Stafford Bank reflects the payment received in year for the surrender of the remainder of the lease

3.53 The value of Commercial Property investments will continue to be assessed. Commercial Property is a long term investment and valuations can, therefore, rise as well as fall, over the period they are held. In order to mitigate any potential future loss funds have been set aside to ensure that there is no impact on the General Fund at the point of any future sale.

3.54 The Council continues to review potential commercial investments, but will now consider any potential investment opportunities alongside the implications for PWLB borrowing going forward, however, the 2025/26 Capital Plan does not include any plans to purchase commercial assets primarily for yield.

Alternative Property Investments

3.55 The position on Alternative Property Investments at 31 March 2026 is as follows:-

Property	Investment £k	Valuation as at 31/03/26*	Performance			
			Total Capital Gain / (Loss)		Rate of Return	Return
	£000	£000	£000	%	%	£000
Harrogate Royal Baths	9,504.0	6,300.0	(3,204.0)	(33.7)	1.40	133.2
Scarborough Travelodge	14,828.0	15,300.0	472.0	3.2	7.84	1,162.1
Total	24,332.0	21,600.0	(2,732.0)	(11.2)	5.32	1,295.4

*Asset Valuations as at 31/03/2026 currently pending. Values shown in this report are the valuations as at 31/03/2025

Loans to Companies in which the Council has an interest

3.56 The Council's policy on making loans to companies in which it has an interest is incorporated into the Annual Treasury Management Strategy and is as follows:-

- a) the Council's general investment powers under the Annual Treasury Management and Investment Strategy come from the Local Government Act 2003 (section 12). Under this Act a local authority has the power to invest for any purpose relevant to its functions or for the purpose of the prudent management of its financial affairs;
- b) in addition to investment, the Council has the power to provide loans and financial assistance to limited companies under the Localism Act 2011 (and also formally under the general power of wellbeing in the Local Government Act 2000) which introduced a general power of competence for authorities (to be exercised in accordance with their general public law duties); and
- c) any such loans to limited companies by the Council would therefore be made under these powers. They would not, however, impact on the Investment Strategy but would be classed as capital expenditure by the Council under the Local Authorities (Capital Finance and Accounting) Regulations 2003 and would be approved, financed and accounted for accordingly.

3.57 The position on these loans at 31 March 2026 is as follows:-

Period	Yorwaste	Brierley Homes	Brierley Homes	First North Law	NY Highways	Align Property Services	Broadacres Housing Association	Bracewell Homes	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance as at 31 Mar 2025	3.7	22.5	0.0	0.1	9.0	0.5	33.6	0.7	70.1
Variation in 2025/26	0.0	3.6	1.4	0.0	-0.5	0.0	-2.0	0.0	2.5
Balance as at 31 Mar 2026	3.7	26.1	1.4	0.1	8.5	0.5	31.6	0.7	72.6
Approved Limits	7.5	26.1	1.4	0.3	11.0	1.0	35.0	10.0	92.3
Revenue Return £k	297.6	2,504.4	38.0	5.2	943.3	49.7	1,389.7	66.8	5,294.7

3.58 These loans have been treated as Capital Expenditure by the Council and financed from Internal Borrowing. The revenue interest loss is offset by the interest charged to the four companies.

Property Funds

3.59 Property Funds, pooled investment vehicles investing in diversified UK commercial property, were added to the schedule of Non Specified Investments as part of the 2025/26 Annual Treasury Management Strategy.

3.60 Investments held in Property Funds are classified as Non-Specified Investments and are, consequently, long term in nature. Valuations can, therefore, rise as well as fall, over the period they are held, therefore funds have been set aside to ensure that there is no impact on the General Fund at the point of any future sale.

3.61 During the course of 2025/26, the Council Exited the Federated Hermes Property Unit Fund, following the suspension of Fund dealing in 2024/25. During the course of the year Fund investors voted overwhelmingly to pursue merger discussions with L&G Managed Property Fund, which could only accept investment from registered UK defined benefit and defined contribution pension schemes. As a result of this, the Council exited the Fund at an overall Capital loss of £188.6k (offset by a £376.3k revenue return). The Council had previously set aside funds in reserves to offset this level of loss. The position of the Hermes Fund is shown separately in the tables below as a result of the exit.

3.62 Each fund also provides a monthly revenue return, representing interest earned on the fund over that period. The position on Property Funds at 31 March 2026 is as follows:-

In year

Fund	Bfwd Investment	Valuation as at 31 March 2026	Gain / (Loss)	Revenue Return	Return
	£k	£k	£k	£k	%
Blackrock	4,840.3	4,875.6	35.3	152.9	2.8
Threadneedle	4,737.6	4,823.7	86.1	227.1	4.2
Fidelity	2,744.4	2,611.5	(162.8)	150.8	5.0
Total	12,352.3	12,310.8	(41.4)	530.8	3.8

Fund	Bfwd Investment	Valuation upon Fund Exit	Gain / (Loss)	Revenue Return	Return
	£k	£k	£k	£k	%
Hermes	1,818.4	1,811.4*	(7.0)	0.0	0.0

Total Fund Performance

Fund	Original Investment	Valuation as at 31 March 2026	Gain / (Loss)	Revenue Return	Return
	£k	£k	£k	£k	%
Blackrock	5,505.5	4,875.6	(629.9)	894.4	16.2
Threadneedle	5,366.3	4,823.7	(542.6)	1,231.3	22.9
Fidelity	3,000.0	2,611.5	(388.5)	825.0	27.5
Total	13,871.8	12,310.8	(1,561.0)	2,950.6	18.6

Fund	Original Investment	Valuation upon Fund Exit	Gain / (Loss)	Revenue Return	Return
	£k	£k	£k	£k	%
Hermes	2,000.0	1,818.4*	(188.6)	376.3	19.0

Summary

4.0 The investment framework and alternative position as at 31 March 2026 is as follows:

Type of Investment	Invested as at 31/03/2026	Rate of Return	Return
	£m	%	£k
Alternative Treasury Instruments			
Money Market Funds	0.0	0.00	0.0
Enhanced Cash Funds	0.0	0.00	0.0
Certificate of Deposit	0.0	0.00	0.0
Property Funds	13.9	3.83	530.8
Total Alternative Treasury Instruments	13.9	3.83	530.8
Alternative Investments			
Loans to Council Companies			
- Yorwaste	3.7	7.75	297.6
- Brierley Homes	26.1	9.75	2504.4
- Brierley Homes 2	1.4	3.75	38.0
- First North Law	0.1	7.75	5.2
- NY Highways	8.5	10.25	943.3
- Align Property Services	0.5	9.75	49.7
- Broadacres Housing Association	31.6	4.30	1,389.7
- Bracewell Homes	0.7	9.25	66.8
Total Loans to Council Companies	72.6	7.3	5,294.7
Other Alternative Investments			
Spend to Save	0.0	0.0	0.0
Loans to Housing Associations	0.0	0.0	0.0
Solar Farm (or similar) Project	0.0	0.0	0.0
Commercial Investments/Local Growth	2.4	18.4	435.7
Alternative Property Investments	26.3	5.3	1,295.4
Total Other Alternative Investments	28.7	6.0	1,731.1
Total Alternative Investments	115.2	6.6	7,556.6

COMPLIANCE WITH TREASURY LIMITS AND PRUDENTIAL INDICATORS

- 4.1 The Council is required to comply with the CIPFA Prudential Code and set Prudential Indicators for the next three years to ensure that capital investment plans are affordable, prudent and sustainable.
- 4.2 During the financial year the Council operated within the Treasury Limits and Prudential Indicators as set out in the Council's Treasury Management Policy Statement and Annual Treasury Management Strategy for 2025/26.
- 4.3 The Prudential Indicators covering the period up to 31 March 2026 were approved by the Council in February 2025. More recently an updated set of indicators up to 31 March 2027 was approved by Council in February 2026 as part of the 2026/27 Budget process.

4.4 As part of this Annual Treasury Management Report for 2025/26 it is therefore appropriate to report the 2025/26 outturn position on these Prudential Indicators compared with the last updated set of indicators, these are set out in **Appendix B**.

APPROVED LENDING LIST

4.5 The criteria for monitoring and assessing organisations (counterparties) to which the Council may make investments (i.e. lend) are incorporated into the detailed Treasury Management Practices (TMPs) that support the Treasury Management Policy Statement (TMPS). Applying these criteria enables the Council to produce an Approved Lending List of organisations in which it can make investments, together with specifying the maximum sum that at any time can be placed with each. The Approved Lending List is prepared and maintained, taking into account the advice of the Council's Treasury Management Advisor, MUFG Forward Markets (Link Group).

4.6 The credit rating criteria utilised in 2025/26 reflected the following:

- a) a system of scoring each organisation using Link's enhanced creditworthiness service. This service which has been progressively developed uses a sophisticated modelling system that includes:
 - credit ratings published by the three credit rating agencies (Fitch, Moody's and Standard and Poor) which reflect a combination of components (sovereign, long term, short term, individual and support)
 - credit watches and credit outlooks from the rating agencies
 - Credit Default Swaps (CDS) spreads to give early warnings of likely changes in credit ratings
 - sovereign ratings to select counterparties from only the most credit worthy countries;
 - any known Central Government involvement or specific guarantees issued for an organisation.
- b) sole reliance was not placed on the information provided by MUFG Forward Markets (Link Group). In addition, the Council also used market data and information available from other sources such as the financial press and other agencies and organisations;
- c) furthermore, the following measures were also actively taken into consideration throughout the year:
 - institutions were removed or temporarily suspended from the Approved Lending List if there was significant concern about their financial standing or stability
 - investment exposure was concentrated with higher rated institutions wherever possible
 - investments were generally kept short.

4.7 The Approved Lending List is monitored on an ongoing basis and changes made as appropriate by the Corporate Director – Strategic Resources to reflect changes in organisations standing against the agreed criteria. This includes credit rating downgrades/upgrades, mergers or market intelligence and rumours that impact on the 'credit score' and 'colour coding system'

4.8 Changes to the Approved Lending List, together with the current List are included in the Treasury Management section of the Quarterly Performance Monitoring reports submitted to Executive. Changes to the list last submitted to Executive in January 2026 are listed in **Appendix C** with the current lending list attached as **Appendix D**.

RECOMMENDATION

4.9 The Executive is recommended

- a) Note the performance of the Treasury Management operation during 2025/26 and the outturn position on Prudential Indicators.

TREASURY MANAGEMENT APPENDICES

Appendix A Analysis of Investments placed at 31 March 2026

Appendix B Compliance with Treasury Limits and Prudential Indicators

Appendix C Changes to Approved Lending List since January 2026

Appendix D Approved Lending List as at 31 March 2026

Analysis of Investments placed at 31 March 2026

	Lender	Sector	Start Date	Amount (£)	End Date	Interest Rate (%)
	Barclays Bank Plc (NRFB)	Bank		27,040,000		3.30
	Bank of Scotland call	Bank		75,000,000		3.51
	Santander UK Plc 180 Day Notice	Bank		27,000,000		4.00
	Property Funds	Prop F		13,872,000		3.80
Apr-26	Darlington Borough Council	LA	02/04/2025	5,000,000	01/04/2026	4.75
	SMBC Bank International Plc	B	03/10/2025	50,000,000	02/04/2026	4.15
	Goldman Sachs	B	17/07/2025	30,000,000	17/04/2026	4.17
	Heleba	B	17/10/2025	30,000,000	17/04/2026	4.04
	Surrey County Council	LA	28/04/2025	5,000,000	27/04/2026	4.30
May-26	Ashford BC	LA	20/10/2025	10,000,000	20/05/2026	4.60
	Ashford BC	LA	27/05/2025	5,000,000	26/05/2026	4.70
	West Dunbartonshire Council	LA	27/05/2025	5,000,000	26/05/2026	4.20
	Cheltenham BC	LA	28/05/2025	5,000,000	27/05/2026	4.20
	Suffolk County Council	LA	31/10/2025	5,000,000	29/05/2026	4.55
Jun-26	Aberdeen City Council	LA	06/06/2025	5,000,000	05/06/2026	4.25
	City of York Council	LA	30/03/2026	8,000,000	15/06/2026	4.25
	West Dunbartonshire Council	LA	17/06/2025	5,000,000	16/06/2026	4.20
	Dundee City Council	LA	19/02/2026	10,000,000	17/06/2026	4.30
Jul-26	Wrexham County Borough Council	LA	27/06/2025	5,000,000	26/06/2026	4.25
	Bracknell Forest Borough Council	LA	14/10/2025	5,000,000	14/07/2026	4.40
	Dundee City Council	LA	26/02/2026	10,000,000	15/07/2026	4.30
	Worcestershire County Council	LA	25/07/2025	5,000,000	24/07/2026	4.25
	Bracknell Forest Borough Council	LA	28/10/2025	5,000,000	28/07/2026	4.55
Aug-26	Wrexham County Borough Council	LA	30/10/2025	5,000,000	30/07/2026	4.55
	Bracknell Forest Borough Council	LA	04/11/2025	10,000,000	04/08/2026	4.55
	Sefton Council	LA	14/08/2025	5,000,000	13/08/2026	4.10
	Darlington Borough Council	LA	17/11/2025	5,000,000	17/08/2026	4.40
	Dundee City Council	LA	24/11/2025	10,000,000	24/08/2026	4.50
Sep-26	West Dunbartonshire Council	LA	17/09/2025	5,000,000	26/08/2026	4.40
	Wrexham County Borough Council	LA	08/09/2025	5,000,000	07/09/2026	4.20
	Sefton Council	LA	10/09/2025	10,000,000	09/09/2026	4.15
	Wrexham County Borough Council	LA	10/11/2025	5,000,000	10/09/2026	4.65
	Wrexham County Borough Council	LA	12/12/2025	5,000,000	14/09/2026	4.50
	Wrexham County Borough Council	LA	12/12/2025	5,000,000	14/09/2026	4.50
	North Lincolnshire Council	LA	18/09/2025	10,000,000	18/09/2026	4.35
	Sefton Council	LA	26/09/2025	5,000,000	25/09/2026	4.35
	Suffolk County Council	LA	28/11/2025	10,000,000	28/09/2026	4.45
	Falkirk Council	LA	30/09/2025	10,000,000	29/09/2026	4.35
	Aberdeen City Council	LA	30/09/2025	5,000,000	29/09/2026	4.55
Oct-26	LB Brent	LA	01/10/2025	10,000,000	30/09/2026	4.35
	Darlington Borough Council	LA	03/10/2025	5,000,000	02/10/2026	4.38
	LB Brent	LA	03/10/2025	10,000,000	02/10/2026	4.45
	Kingston upon Hull Council	LA	07/10/2025	10,000,000	06/10/2026	4.40
	Falkirk Council	LA	10/10/2025	5,000,000	09/10/2026	4.38
	North Lanarkshire Council	LA	14/10/2025	10,000,000	13/10/2026	4.50
	Suffolk County Council	LA	22/10/2025	10,000,000	21/10/2026	4.45
	Aberdeen City Council	LA	27/10/2025	5,000,000	26/10/2026	4.55
Nov-26	Bracknell Forest Borough Council	LA	30/10/2025	5,000,000	29/10/2026	4.55
	LB Brent	LA	12/11/2025	5,000,000	11/11/2026	4.35
	North Lanarkshire Council	LA	12/11/2025	5,000,000	11/11/2026	4.40
	Sefton Council	LA	17/11/2025	5,000,000	16/11/2026	4.35
	West Dunbartonshire Council	LA	21/11/2025	5,000,000	20/11/2026	4.55
	Worcestershire County Council	LA	28/11/2025	10,000,000	27/11/2026	4.38
Dec-26	Aberdeen City Council	LA	01/12/2025	10,000,000	30/11/2026	4.38
	Suffolk County Council	LA	05/03/2026	5,000,000	07/12/2026	4.50
	Powys County Council	LA	15/12/2025	10,000,000	14/12/2026	4.35
Jan-27	Worcestershire County Council	LA	02/03/2026	10,000,000	05/01/2027	4.40
	Surrey County Council	LA	18/03/2026	20,000,000	07/01/2027	4.70
	West Dunbartonshire Council	LA	15/01/2026	10,000,000	14/01/2027	4.40
Mar-27	Bath and NW Somerset Council	LA	12/03/2026	10,000,000	11/03/2027	4.30
	Aberdeen City Council	LA	25/03/2026	5,000,000	24/03/2027	4.75
				640,912,000		4.18

Actual Loans Outstanding Summarised by Organisation	
	£m
Local Authority	388.0
Santander	27.0
Barclays	27.0
Goldman Sachs	30.0
Property Funds	13.9
Bank of Scotland	75.0
Helaba	30.0
SMBC	50.0
	<u>640.9</u>

Maturity Profile	
Period	%
<1 Month	36
1 – 3 Months	10
3 – 6 Months	27
6 – 9 Months	18
9 – 12 Months	9
>12 Months	0
	<u>100</u>

Portfolio Breakdown	
	%
Fixed Term	78
Notice Accounts	4
Call Accounts	16
Money Market Funds	0
Property Funds	2
	<u>100</u>

Institution Type	
	%
Banks	37
Local Government	61
Building Societies	0
Money Market Funds	0
Property Funds	2
	<u>100</u>

Country	
	%
Domestic	92
Foreign	8
Money Market Funds	0
	<u>100</u>

COMPLIANCE WITH TREASURY LIMITS AND PRUDENTIAL INDICATORS

Capital Expenditure

	2025/26 TM Strategy £m	2025/26 Actual £m
New Capital Expenditure	327.4	219.3
New Finance Leases and PFI	0.0	0.0
Total Capital Expenditure	327.4	219.3
Financed by		
- Capital grants and contributions	205.5	149.9
- Direct Revenue Funding	74.7	52.8
- Capital receipts	25.0	7.9
Capital Borrowing Requirement	22.2	8.7

Capital Financing Requirement (CFR)

	2025/26 TM Strategy			2025/26 Actual		
	Borrowing £m	Other Long Term Liabilities £m	Total £m	Borrowing £m	Other Long Term Liabilities* £m	Total £m
Total CFR	582.5	158.0	740.5	555.9	149.4	705.3
Net Financing need for year	22.2	0.0	22.2	8.7	1.7	10.4
MRP	-16.6	-5.9	-22.5	-20.9	-7.1	-23.0
Movement in CFR	5.6	-5.9	-0.3	-12.2	-5.4	-17.6

*Total Long Term Liabilities CFR contains an in-year accounting adjustment for PFI and Finance Leases, driven by a change in accounting regulations under IFRS16. Final in year figures may be subject to change as part of the preparation of the Council's Year end Statutory Accounts

Authorised Limit, Operational Boundary and Actual Debt

	2025/26 TM Strategy			2025/26 Actual		
	Borrowing £m	Other Long Term Liabilities £m	Total £m	Borrowing £m	Other Long Term Liabilities* £m	Total £m
Authorised Limit	441.1	202.8	643.7	437.2	194.4	631.6
Operational Boundary	421.1	202.6	623.7	417.2	194.4	611.6
External Debt	354.4	158.0	512.4	350.4	149.4	499.8

*Total Long Term Liabilities CFR contains an in-year accounting adjustment for PFI and Finance Leases, driven by a change in accounting regulations under IFRS16. Final in year figures may be subject to change as part of the preparation of the Council's Year end Statutory Accounts

Gross Debt and the CFR

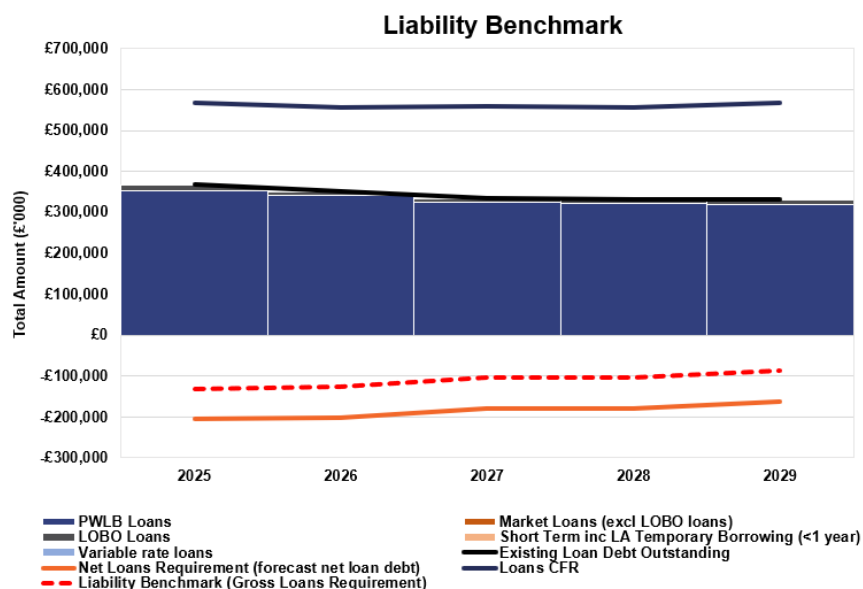
	2025/26 TM Strategy			2025/26 Actual		
	Borrowing £m	Other Long Term Liabilities £m	Total £m	Borrowing £m	Other Long Term Liabilities* £m	Total £m
CFR	582.5	158.0	740.5	555.9	149.4	705.3
Gross Borrowing	354.4	158.0	512.4	350.4	149.4	499.8
Under / (over) borrowing	228.1	0.0	228.1	205.5	0.0	205.5

*Total Long Term Liabilities CFR contains an in-year accounting adjustment for PFI and Finance Leases, driven by a change in accounting regulations under IFRS16. Final in year figures may be subject to change as part of the preparation of the Council's Year end Statutory Accounts

Ratios

	2025/26 TM Strategy %	2025/26 Actual %
Financing costs to net revenue stream – General Fund	3.65	4.31
Financing costs to net revenue stream – HRA	10.83	9.44
Net income from commercial and service investments to net revenue stream	0.77	1.09

Liability Benchmark



Maturity Structure of Borrowing

	Lower Limit %	2025/26 Upper Limit %	Actual %
Under 12 months	0	15	5
12 months to 2 years	0	15	7
2 years to 5 years	0	15	4
5 years to 10 years	0	25	16
10 years to 20 years	0	25	5
20 years to 30 years	0	45	41
30 years to 40 years	0	45	16
40 years to 50 years	0	45	7

Limits for Long Term Treasury Management Investments

	2025/26	
	Limit £m	Actual £m
Limit on investments > 1 year	60.0	0.0

Changes to Approved Lending List 1 January 2026 to 31 March 2026

Amendments to Investment Limits / Terms

Organisation	Original Investment Limit / Term	Date Amended	Revised Investment Limit / Term	Reason for Amendment
Amendments made to Investment Limits				
None				
Amendments made to Investment Terms				
None				
Temporary Suspensions for Lending List				
None				

The above shows changes to the Lending List as at 31 March 2026 compared to 31 December 2025. It should be noted, however, that changes can be made on a daily basis in reaction to market sentiment, with maximum investment durations being adjusted accordingly.

APPROVED LENDING LIST AS AT 31 March 2026

Maximum sum invested at any time (The overall total exposure figure covers both Specified and Non-Specified investments)

	Country	Specified Investments (up to 1 year)		Non-Specified Investments (> 1 year £40m limit)	
		Total Exposure £m	Time Limit *	Total Exposure £m	Time Limit *
UK "Nationalised" banks / UK banks with UK Central Government involvement					
Royal Bank of Scotland PLC (RFB)	GBR	90.0	365 days	-	-
National Westminster Bank PLC (RFB)	GBR				
UK "Clearing Banks", other UK based banks and Building Societies					
Santander UK PLC (includes Cater Allen)	GBR	80.0	6 months	-	-
Barclays Bank PLC (NRFB)	GBR	120.0	100 days	-	-
Barclays Bank UK PLC (RFB)	GBR		6 months		
Bank of Scotland PLC (RFB)	GBR	100.0	6 months	-	-
Lloyds Bank PLC (RFB)	GBR				
Lloyds Bank Corporate Markets PLC (NRFB)	GBR				
Goldman Sachs International Bank	GBR	100.0	6 months	-	-
Sumitomo Mitsui	GBR	100.0	6 months	-	-
Standard Chartered Bank	GBR	80.0	6 months	-	-
Handelsbanken	GBR	80.0	365 days	-	-
Nationwide Building Society	GBR	40.0	6 months	-	-
Leeds Building Society	GBR	40.0	3 months	-	-
Coventry Building Society	GBR	40.0	6 months	-	-
High Quality Foreign Banks					
National Australia Bank	AUS	40.0	365 days	-	-
Credit Industriel et Commercial	FRA	40.0	365 days	-	-
Landesbank Hessen-Thuringen Girozentrale (Helaba)	GER	50.0	365 days	-	-
DBS (Singapore)	SING	50.0	365 days	-	-
Bayerische Landesbank	GER	40.0	6 months	-	-
National Bank of Canada	CAN	50.0	365 days	-	-
Local Authorities					
County / Unitary / Metropolitan / District Councils		40.0	365 days	5.0	5 years
Police / Fire Authorities		40.0	365 days	5.0	5 years
National Park Authorities		40.0	365 days	5.0	5 years
Other Deposit Takers					
Money Market Funds		40.0	n/a liquid	-	-
Property Funds		5.0	365 days	5.0	10 years
UK Debt Management Account		150.0	365 days	-	-

* Based on data 31 March 2026