CABINET

24 JULY 2026

REPORT OF THE CORPORATE FINANCE & GOVERNANCE PORTFOLIO HOLDER

A.2 TREASURY MANAGEMENT PERFORMANCE 2025/26

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT
To report on the Council's treasury management activities and Prudential Indicators for 2025/26.

EXECUTIVE SUMMARY

- Borrowing and investments have been undertaken in accordance with the 2025/26 Annual Capital and Treasury Strategy that was approved by full Council on the 31 March 2026.

- ***Summary of the Council's Borrowing Position:***

Amount Outstanding at the end of March 2026	Average Interest Rate Paid in 2025/26	Total Interest paid in 2025/26
£0.112m (General Fund)	6.884%	£0.008m
£28.120m (HRA)	3.591%	£1.048m

No new external borrowing was undertaken in 2024/25 for either the General Fund (GF) or Housing Revenue Account (HRA).

- ***Summary of the Council's Investment Position:***

Value of Investments held at the end of March 2026	Average Interest rate on Investments 2025/26	Interest Earned on Investments 2025/26
£97.642m	4.378%	£4.949m

The amount of interest earned from investments remained at a relatively high level during the year. Although the Bank of England announced some interest rate reductions during the year, many of the Council's investments are fixed for 6 months at a time and therefore such reductions do not necessarily feed immediately through to the investment income earned. The rate at the beginning of the year was 4.5%, with modest reductions made over the course of the year, with the rate at the end of March 2026 being 3.75%. Advantages from the Council's cashflow position were also seen during the year due to the significant government grant income relating to the associated major regeneration projects. Estimated investment income was increased through the quarterly financial performance and budget reports during the year - from **£1.806 million** at the start of the year to **£3.878 million** at the end of the year, with the outturn figure being **£4.949 million** as set out in the table above.

- The Council continues to hold one property within its Commercial Investment Portfolio, which had a balance sheet value at 1 April 2025 of **£2.212 million**. This 'book value' was decreased by the Council's appointed valuers by **£0.076 million** at the end of 2025/26. However, this is an 'accounting' valuation and not a direct value that would be achieved on the market if it was sold. In-line with the budget, rental income of **£0.237 million** was earned on the property in 2025/26, in line with estimates.

- Treasury performance figures for the year are set out in **Appendix A** with Prudential Indicators attached as **Appendix B.**

- Responding to inflation continues to be a challenge for the Bank of England with their current forecast suggesting CPI could breach 4.5% in 2026, which is a stark contrast to their earlier forecast which suggested inflation would reach their target amount of 2% from 2026/27.

- In terms of interest rates, the forecast from the Council's own treasury advisors is for rates to remain steady at the current level of 3.75% in March 2026 to 3.5% in September 2027. Steady returns are therefore expected throughout 2026/27.

- In terms of borrowing costs, the outstanding loans currently held by the Council are at fixed rates and are therefore not subject to any short / medium term fluctuations such as those mentioned above. The Council will continue to consider the opportunities from borrowing internally whilst current market interest rates remain relatively high, which is relevant when existing HRA loans mature and are 'replaced'.

- As reflected within the recommendations below and discussed in the main body of this report, it is proposed to increase the maximum amount that can be invested per money market fund to **£6.000m** from **£4.000m** as set out within the Council's Treasury Management Practices (TPM's). This approach will provide Officers with the required additional flexibility when making investment decisions during the year but still set against a proportionate balance with risk.

RECOMMENDATION(S)

That Cabinet:

a) notes the Treasury Management performance position for 2025/26;

b) approves the Prudential and Treasury Indicators for 2025/26; and

c) approves an amendment to the Council's Treasury Management Practices that allows the maximum amount of money that can be invested per money market fund to £6.000m from the current limit of £4.000m.

REASON(S) FOR THE RECOMMENDATION(S)

To provide timely / key financial information to Members and to demonstrate compliance with the Treasury Management and Prudential Codes.

ALTERNATIVE OPTIONS CONSIDERED
Not applicable given the requirements set out elsewhere in this report.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES
The annual adoption of a Capital and Annual Treasury Strategy ensures that the Council's Investment and Treasury Management activities are carried out and managed in accordance with best practice, thereby safeguarding money held by the Council and making an appropriate contribution to the Council's overall financial position and priorities. The associated forecasting and budget setting / management processes will have direct implications for the Council's ability to deliver on its objectives and priorities. Effective Treasury Management supports the Council in delivery against its corporate goals and objectives.

OUTCOME OF CONSULTATION AND ENGAGEMENT
The Treasury Strategy for 2025/26 is subject to consultation with the Resources and Services Overview and Scrutiny Committee as part of its adoption by Full Council each year and this report sets out the outcome against the Strategy.

<table>
<tr><th colspan="4">LEGAL REQUIREMENTS (including legislation & constitutional powers)</th></tr>
<tr><td rowspan="2">Is the recommendation a Key Decision (see the criteria stated here)</td><td rowspan="2">Yes</td><td>If Yes, indicate which by which criteria it is a Key Decision</td><td>X Significant effect on two or more wards
X Involves £100,000 expenditure/income
☐ Is otherwise significant for the service budget</td></tr>
<tr><td>And when was the proposed decision published in the Notice of forthcoming decisions for the Council (must be 28 days at the latest prior to the meeting date)</td><td>This item has been included within the Forward Plan for a period in excess of 28 days.</td></tr>
<tr><td colspan="4">This 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).

The Local Authorities (Capital Financing and Accounting) (England) Regulations 2003 include the requirement for local authorities to have regard to CIPFA guidance which this Council has adopted.

Although not directly impacting on the outturn position for 2025/26, it is worth highlighting that S78 of the Levelling Up and Regeneration Act 2023 inserted new sections 12A to 12D into the Local Government Act 2003, which came into force on 31 January 2024. These new sections</td></tr>
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cover capital finance risk management and include risk mitigation directions, risk thresholds, restrictions of power to give risk-mitigation directions and a duty to cooperate with an independent expert. These changes essentially seek to respond to the financial crisis that some local Authorities have found themselves in over recent years and will continue to form part of future considerations as necessary.

YES	**The Monitoring Officer confirms they have been made aware of the above and any additional comments from them are below:**

There are no further comments to make in addition to the contents of the report.

FINANCE AND OTHER RESOURCE IMPLICATIONS

Treasury and Capital Management Strategies and procedures ensure that the Council's investments and borrowing are undertaken in such a way as to minimise the Council's exposure to risk. At the same time, they seek to maximise income from investments and minimise the costs of borrowing within the Council's accepted level of risk within a framework that is highlighted elsewhere within this report.

YES	**The Section 151 Officer confirms they have been made aware of the above and any additional comments from them are below:**

The Section 151 Officer is the author of this report.

USE OF RESOURCES AND VALUE FOR MONEY

The following are submitted in respect of the indicated use of resources and value for money indicators:

A) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;	This is addressed in the body of the report and appendices where relevant.
B) Governance: how the body ensures that it makes informed decisions and properly manages its risks, including; and	
C) Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.	

MILESTONES AND DELIVERY

This has been highlighted elsewhere within this report.

ASSOCIATED RISKS AND MITIGATION

The placing of investments involves a number of risks. These risks and how the Council will manage them are set out in the Council's Treasury Management Practices.

Investments are undertaken within an overall risk-averse approach, which is reflected in Treasury Management Practices. With this in mind, a significant level of investment is undertaken with other Local Authorities and with the Government.

As highlighted within the previous year's reports, the risk of investing with authorities which have issued a section 114 notice was highlighted. As noted in previous updates this is not an underlying credit risk, as all local authorities are assessed as having the same risk as the UK government. However, it is accepted that reputationally it can draw adverse attention to such

investments which in turn often leads to resources being unnecessarily diverted to answer Freedom of Information requests and other related queries. Reflecting on the above, the Council does not invest with authorities that have issued a section 114 notice or where a risk of them potentially doing so has been identified. This is supported by utilising as much evidence as possible within the markets and if there are any overly adverse issues raised about a Local Authority, the Council will seek alternative investment opportunities where possible. As reported previously, the performance of the investment property in Clacton, is performing satisfactorily against the financial target set out within the original decision to purchase the property, with budgeted investment income continuing to be achieved each year. It is important to highlight that the rental payments can be seen as paying back the original investment made in purchasing the property. The overall performance of the investment therefore needs to take into account such considerations over the life of the Council's ownership of the property rather any shorter-term position in isolation. It is worth highlighting that the Council's Commercial Property Investment Policy is underpinned by robust risk management actions, which will respond to any changes to the situation. With the latter point in mind and as set out within the Commercial Property Investment Policy, the Council's wider treasury management activities are designed to ensure that the Council is not faced with a position of having to sell the property for cash flow purposes. This in turn ensures that the Council remains in control of when the property is ever exposed to the market rather than potentially having to sell the property during a period where there may be a downturn in commercial property prices.
EQUALITY IMPLICATIONS
There are no direct implications.
SOCIAL VALUE CONSIDERATIONS
There are no direct implications.
IMPLICATIONS RELATED TO DEVOLUTION AND / OR LOCAL GOVERNMENT REORGANISATION
There are no direct implications at this stage, although the management of debt and investments form a key element of the associated financial work-strands that will be subject to further development during the year.
IMPLICATIONS FOR THE COUNCIL'S AIM TO BE NET ZERO BY 2050
There are no direct implications.
OTHER RELEVANT CONSIDERATIONS OR IMPLICATIONS
Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder	Please see comments above
Health Inequalities	
Area or Ward affected	

PART 3 – SUPPORTING INFORMATION

BACKGROUND AND CURRENT POSITION

The Council has adopted the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Treasury Management in the Public Services. The main reporting elements to comply with this code include the following:

- **An Annual Capital and Treasury Strategy approved by Cabinet after consultation with the relevant overview and scrutiny committee for recommending to Full Council.**

- **Regular monitoring reports that form part of the Council's Corporate Financial Performance Monitoring arrangements during the year.**

- **An annual treasury performance or outturn report for the preceding year that is presented to Cabinet.**

In terms of the second bullet point above, there were no breaches of treasury management practices to report in 2025/26.

Although not a breach of treasury management practices, in 2025/26 there was an investment placed with another Local Authority on 20 March 2026 for £6m for the period from April 2026 to October 2026. Upon review, it was realised that the Local Authority had been added to Central Government's Exceptional Financial Support (EFS) list in February 2026, but this had not been picked up at the time of placing the deal. In order to prevent this in future, deals are now subject to authorisation / management review at the time of placing the deal instead of at the time of payment. As set out in previous discussions, there is no underlying risk associated with transactions with other Local Authorities, and this 'deal' will be left to the 'maturity' date in-line with the original agreement.

This report sets out the necessary information in response to the third bullet point above and provides a summary of the treasury activities undertaken in 2025/26 **(Appendix A)** and final Prudential and Treasury Indicators at the end of 2025/26 **(Appendix B),** with revised figures for 2026/27 where relevant.

During 2025/26 the Council complied with its legislative and regulatory requirements and associated treasury management activity remained in accordance with the Treasury Strategy and Treasury Management Practices with further details in respect of specific borrowing and investment considerations set out in the next section of the report.

BORROWING AND INVESTMENTS 2025/26

Borrowing

The Base Rate set by the Bank of England reduced in 2025/26 from 4.50% to 3.75% in 2025/26, as set out in the table below.

Date of meeting	Rate	Change
20 March 2025	4.50%	0.00%
08 May 2025	4.25%	-0.25%
19 June 2025	4.25%	0.00%
07 August 2025	4.00%	- 0.25%
18 September 2025	4.00%	0.00%

06 November 2025	4.00%	0.00%
18 December 2025	3.75%	-0.25%
05 February 2026	3.75%	0.00%
19 March 2026	3.75%	0.00%
30 April 2026	3.75%	0.00%
18 June 2026	3.75%	0.00%

The latest forecast from the Council's treasury advisors indicates that the base rate is expected to remain at the current level throughout 2026/27 and only starting to fall in September 2027.

Public Works Loan Board (PWLB) rates have remained elevated alongside the base rate with the rates currently at 6% for 25 years and 5.80% for 50 years. These rates are all above the target rates set by the treasury advisors and have been since autumn 2022. No new / replacement external borrowing has therefore, been undertaken during the year. In respect of the General Fund, the Council is also currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with external loans, as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This has also been the position with the replacement of HRA borrowing, a maturity loan of **£1.000m** was not replaced by external borrowing during the year, which is in line with the approach set out within the Strategy. While interest rates remain elevated and the Council has sufficient cashflow to allow for internal borrowing, this remains the preferred approach, with new / replacement borrowing only being considered once interest rates fall back to what the treasury advisors view as the 'long term normal level' of around 3%. The Council's current investment property was not financed by loan.

No new external borrowing or restructuring of existing debt was undertaken for General Fund or Housing Revenue Account purposes in 2025/26. Principal on HRA debt continues to be repaid each year in line with the 30-year business plan. Debt rescheduling opportunities are limited in the current economic climate with no debt rescheduling taking place in 2025/26.

No temporary borrowing from the markets was required during the year.

One of the key prudential indicators relates to the Council's Authorised Borrowing Limit. It is therefore worth highlighting that borrowing has been maintained within the Council's Authorised limit as set out below:

Key Indicator	Limit 2025/26	Amount Borrowed (Internal and External)
Authorised Limit – borrowing	£78.171m	£35.458m

Investments

The year saw continual cumulative growth over the period in investment returns as set out in the table below. Estimates were adjusted in year to reflect the additional income.

Date	Estimated Amount £m*	Actual amount £m
30/04/25	£0.000	£0.434
31/05/25	£0.000	£0.921
30/06/25	£0.000	£1.381

31/07/25	£0.144	£1.845
31/08/25	£0.630	£2.296
30/09/25	£1.311	£2.704
31/10/25	£2.009	£3.118
30/11/25	£2.875	£3.497
31/12/25	£3.426	£3.886
31/01/26	£3.577	£4.264
28/02/26	£3.727	£4.585
31/03/26	£3.878	£4.949

* *Profile budgets reflect cash income whereas the actual is the accrued position.*

The weighted average length of investments made during 2025/26 was 26 days. This reflects the fact that many deals are placed with the DMO for short periods (total of **£1.352 billion** over the year). The average investment interest rate for the year was 4.378% and this has been benchmarked against average SONIA benchmarks for 2025/26 in **Appendix A**, where SONIA is the Sterling Overnight Index Average. The average rates for a range of maturities are shown in the table below, compared with the Council's own investment returns

Measure	Bank Rate	SONIA 30 day	SONIA 90 day	SONIA 180 day	Tendring DC
Average rate	4.04	4.01	3.94	3.87	4.38

The Council manages its investments in-house and invests in accordance with the approved strategy. The Council invests for periods of time dependent on the Council's cash flows, the view as to future interest rate movements and the interest rates offered by counterparties whilst balancing various risks such as interest rate risk and counterparty risk.

The Council's investments continued across the following investment types:

- Deposits at fixed rates and for fixed terms with other local authorities and the Government's Debt Management Office (DMO).
- Deposits at fixed rates and for fixed terms with UK-based banks and building societies meeting the counterparty risk criteria.
- Certificates of deposit, which are tradeable but if held to maturity are at fixed rates
- Use of deposit accounts with UK banks and the two Money Market Funds to support liquidity.

Further detail on how the investment types changed over the year is set out below.

A significant proportion of the Council's investments were still made with other local authorities. Money also continued to be placed with the Bank of England's Debt Management Facility (DMO) throughout the year. A total of **£1.3517 billion** was placed with UK government during the year (with **£1.3522 billion** repaid). Over the year **£4.000 million** of Certificates of deposit with banks meeting the Council's criteria were purchased, along with some fixed deposits with Building Societies and the call accounts and Money Market Funds, leading to a total of **£29.120 million** placed with UK financial institutions over the year. Both government and local authority investments fit well with the Council's low appetite for risk with the security and liquidity of the investment the prime concern. This level of risk appetite broadly reflects the rate achieved compared to the SONIA benchmarks above. With the elevated levels reflecting the timing of investments, with higher rates carried forward from the investments in early parts of the year that exceed the comparable rates for later time periods.

The total invested in local authorities at 31 March 2026 was **£81.000 million** out of a total investment of **£97.642 million**, **£11.500 million** invested short term with the Debt Management Office and **£3.615 million** invested in two Money Market Funds. A total of **£1.527 million** was placed in call accounts.

Aggregated investments reached **£1.5077 billion** for the year as set out in **Appendix A**. As was the case last year, this may appear to be a surprisingly large figure given the much more limited cash balances held / invested at any one time (e.g. £97.642m held as investments at 31 March 2026). This is due to the repetitive nature of day to day investment activities. For example, the Council may place an investment of £10m within the UK money markets for a period of 1 month. On expiry of this 1 month period, and if there remains an adequate overall positive cash flow position for the Council, then the same £10m may be placed in the money markets again for a further period. In this example the total investments made would be an aggregate of the two (£20m) although it is in effect the same £10m that has been invested over two individual transactions. When you scale up the various investment transactions over the course of a whole year it equates to the aggregated figure quoted above.

The Council receives regular credit rating updates during the year following which the appropriate action is taken as soon as practical where the credit rating falls below the minimum ratings, which form part of the Council's Treasury Management Practices.

The UK holds an AA rating with one rating agency, AA- with a second and Aa3 with the third, with the lower grades not having a specific adverse impact on the Council's treasury activities at the present time.

Given the relatively high level of cash balances at the present time, it is proposed to increase the level of money that can be invested in money market funds. At the present time, the limit is set at **£4.000m** per fund within the Council's Treasury Management Practices. It is proposed to increase this to **£6.000m** that would bring it in-line with the same level that can be invested in UK Local Authorities. The criteria when using money market funds is based on the lendee holding at least an AAA long term rating backed up with lowest volatility rating, with therefore a low level of credit risk. This approach will provide Officers with the required additional flexibility when making investment decisions during the year but set against a proportionate balance with risk. As associated recommendation is therefore included above.

In accordance with the Council's Commercial Property Investment Policy, an annual update on the portfolio is set out below.

In August 2017 the Council purchased an investment property in the District. The purchase was financed partly from capital receipts and partly from revenue resources, so there was no increase in indebtedness arising from the purchase. The purchase price, including–stamp duty, was **£3.244 million**. At 31 March 2018 the property had been revalued t**o £3.100 million** (the purchase price less stamp duty tax). In each subsequent year the Council's appointed valuer has revalued the property for the purposes of the Council's Statement of Accounts and the fair value has changed as set out in the table below.

Date	**Comment**	**Value £ million**	**Impairment / (Gain) £ million**
August 2017	Purchase	3.244	0.000
March 2018	Revalued – excluding stamp duty	3.100	0.144

March 2019	Revalued	2.300	0.800
March 2020	Revalued	2.155	0.145
March 2021	Revalued	1.985	0.170
March 2022	Revalued	2.108	(0.123)
March 2023	Revalued	2.364	(0.256)
March 2024	Revalued	2.284	0.080
March 2025	Revalued	2.212	0.072
March 2026	Revalued	2.136	0.076

A 'loss' of **£0.076 million** is recognised within the Council's 2025/26 statement of accounts, which is charged to revenue within the Comprehensive Income and Expenditure Statement and then reversed out through the Movement in Reserves Statement so that it does not affect the amount that needs to be financed. It is worth highlighting that the above adjustments reflect the necessary end of year accounting adjustments and therefore do not necessarily reflect the value of the property on the open market. This remains as the only property in the portfolio.

In terms of the performance of the property, during the year the rental income was **£0.237 million**. The annualised amount represents an annual rate of return of approximately 7% compared to the purchase price including stamp duty. The property is therefore performing satisfactorily against the financial target with the budgeted investment income achieved for the year. It is important to highlight that the rental payments can be seen as paying back the original investment made in purchasing the property. The overall performance of the investment therefore needs to take into account such considerations over the life of the Council's ownership of the property rather any shorter-term position in isolation.

The original leasehold occupier of the property ceased trading from the property in back in November 2018 with the property remaining sublet, a position expected to remain for the unexpired period of the lease (approximately 1 year). It is worth highlighting that the Council's Commercial Property Investment Policy is underpinned by robust risk management actions, which will respond to any changes to the situation. With the latter point in mind and as set out within the Commercial Property Investment Policy, the Council's wider treasury management activities are designed to ensure that the Council is not faced with a position of having to sell the property for cash flow purposes. This in turn ensures that the Council remains in control of when the property is ever exposed to the market rather than potentially having to sell the property during a period where there may be a downturn in commercial property prices.

It is worth highlighting that as part of developing the forecast / budget, it was recognised that the level of annual rent achievable from this investment property is likely to decrease based on current market expectations when the current lease expires.

Taking the above into account, there are no additional risks to the Council's long-term forecast or significant changes to the risk of holding commercial property at this time, but this will be reviewed on an on-going basis with any further changes required to be made to the forecast set out as part of the financial strategy process over the year.

Compliance with Treasury and Prudential Limits

During the financial year the Council operated within the treasury limits and Prudential Indicators set out in the Council's annual Treasury Strategy. The outturn for the Prudential Indicators is shown in **Appendix B.**

PREVIOUS RELEVANT DECISIONS
Approval of the Annual Capital & Treasury Strategy 2025/26 – Item A.5 Full Council 20 May 2025. Financial Performance Report 2025/26 – General Update at the end of September 2025 - Item A.2 Cabinet 14 November 2025. Financial Performance Report 2025/26 – General Update at the end of December 2025 - Item A.2 Cabinet 24 April 2026. Financial Outturn 2025/26 Report – Agreed by the Portfolio for Finance and Governance 30 June 2026

BACKGROUND PAPERS AND PUBLISHED REFERENCE MATERIAL
None

APPENDICES
Appendix A - Treasury Performance figures 2025/26 **Appendix B** - Prudential and Treasury Indicators 2025/26

REPORT CONTACT OFFICER(S)	
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