Report To:	Governance and Audit Committee
Date:	Thursday, 13 November 2025
Subject:	2025/26 Mid-Term Treasury Report
Purpose:	To provide Members with an update on Treasury Management performance and activity to ensure best practice is maintained.
Key Decision:	No
Portfolio Holder:	Councillor Redgate, Portfolio Holder for Finance.
Report Of:	Russell Stone –Director of Finance/S151 Officer.
Report Author:	Sean Howsam, Interim Treasury Manager (PSPSL).
Ward(s) Affected:	None directly.
Exempt Report:	No.

Summary

Attached at **Appendix 1** is the 2025/26 Mid-Term Treasury Report on the Council's "Treasury Management Strategy Statement and Annual Investment Strategy". It covers the following areas;

- An economic update for the first half of the 2025/26 financial year;
- The outlook for the remainder of the financial year along with interest rate forecasts;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
- A review of the Council's investment portfolio for 2025/26;
- A review of the Council's borrowing strategy for 2025/26;
- Debt Rescheduling;
- A review of compliance with Treasury and Prudential Limits for 2025/26.

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 Governance and Audit Committee note this report, the treasury activity as detailed in **Appendix 1** and make any comments for consideration by Council at their meeting on 26 November 2025.

Reasons for Recommendations

The CIPFA Code of Practice for Treasury Management suggests that members should be informed of Treasury Management activities at least quarterly. This report therefore ensures this Council is embracing Best Practice in accordance with CIPFA's revised Code of Practice.

Other Options Considered

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

1. Background

1.1 The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

1.2 The second main function of the treasury management service is the funding of the Council's capital programme. The capital programme provides a guide to the borrowing need of the Council, essentially longer term cash flow planning to ensure the Council can meet its capital spending requirements. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion, any existing debt may be restructured to meet Council risk or cost objectives.

1.3 Accordingly, treasury management is defined as:

"The management of the local authority'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".

1.4 The risks around investments have always been managed effectively by the Council.

2. Report

2.1 This report provides the 2025/26 Mid-Term update on the Council's "Treasury Management Strategy Statement and Annual Investment Strategy" **(Appendix 1)**.

2.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) issued the revised Code of Practice for Treasury Management in 2021.

2.3 The Code suggests that members should be informed of Treasury Management activities at least quarterly. This report therefore ensures this Council is embracing best practice in accordance with CIPFA's revised Code of Practice.

2.4 Section 3 of **Appendix 1** provides an economic update for the first half year and interest rate forecasts. The expected direction of interest rates for the remainder of the financial year is a reduction in Bank Rate.

2.5 Section 5 of **Appendix 1** provides details of the Council's capital position and prudential indicators as of 30 September 2025.

2.6 Section 6 of **Appendix 1** provides details of the Council's borrowing position and PWLB borrowing rates.

2.7 Section 7 of Appendix 1 provides a review of the Council's Annual Investment Strategy and updates on investments held by the Council and investment returns in relation to budget

2.8 The table below provides an analysis of the net treasury position as at 30 September 2025 and the projected outturn for the year:

Category	**2025/26 Budget Quarter 2**	**2025/26 Actual Quarter 2**	**2025/26 Variance Quarter 2**	**2025/26 Annual Budget**	**2025/26 Forecast Outturn**	**2025/26 Forecast Variance**
GF Interest Rec'd	(386,618)	(649,968)	(263,350)	(771,100)	(1,283,209)	(512,109)
HRA Interest Rec'd	(163,968)	(295,566)	(131,598)	(327,000)	(624,463)	(297,463)
HRA Interest Paid	1,211,471	1,176,950	(34,521)	2,591,414	2,347,469	(243,945)
HRA Net Position	1,047,503	881,384	(166,119)	2,264,414	1,723,006	(541,408)
Total Net Position	**660,885**	**231,416**	**(429,469)**	**1,493,314**	**439,797**	**(1,053,517)**

2.9 At Quarter 2 the net treasury position shows a combined favourable variance of £429,469 and the forecast outturn is a favourable variance of £1,053,517.

2.10 Treasury investments achieved an average rate of 4.753% and interest on Welland Homes loans achieved an average rate of 4.286%. The combined rate achieved on all investments was 4.671%.

2.11 The higher level of investment income achieved compared to the original budget is due to interest rates in the market being higher than the budgeted return for 2025/26 and balances available for investment being higher mainly due to the receipt of £14.7m additional grant funding in September 2025.

3. Conclusion

3.1 This report provides an update on treasury management performance to Members to ensure Best Practice is maintained as required by 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.

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

Bps- basis points
CDS – Credit Default Swap
CFR – Capital Financing Requirement
CIPFA - Chartered Institute of Public Finance and Accountancy
CPI – Consumer Price Index
GDP – Gross Domestic Product
GF – General Fund
HRA – Housing Revenue Account
MPC - Monetary Policy Committee
MRP – Minimum Revenue Provision
MUFG – External Treasury Advisors (formerly known as Link Group)
PWLB - Public Works Loan Board
TMSS – Treasury Management Strategy Statement

Appendices

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

Appendix 1 2025/26 Mid-Term Treasury Report

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
SHDC Treasury Management Strategy Statement for 2025/26	(Public Pack)Agenda Document for South Holland District Council, 27/02/2025 18:30

Chronological History of this Report

Name of Body	**Date**
Governance and Audit	Q1 Update Report - 11 September 2025
Governance and Audit	2025/26 Mid-Term Treasury Report

Report Approval

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Approved for publication:	Cllr Redgate, Portfolio Holder for Finance.