



<b>Report To:</b>	Governance and Audit Committee
<b>Date:</b>	Thursday 2 July 2026
<b>Subject:</b>	Annual Treasury Report 2025/26
<b>Purpose:</b>	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.
<b>Key Decision:</b>	No
<b>Portfolio Holder:</b>	Portfolio Holder for Finance, Portfolio Holder for Finance.
<b>Report Of:</b>	Russell Stone, Executive Director of Finance & Section 151 Officer.
<b>Report Author:</b>	Sean Howsam, Treasury & Investments Manager (PSPSL).
<b>Ward(s) Affected:</b>	None directly.
<b>Exempt Report:</b>	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 Governance and Audit 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 15 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 other further options for consideration.

## 1. Background

- 1.1 The Council approved its Treasury Management Strategy for 2025/26 on 27 February 2025. This report now provides the Annual Treasury Report 2025/26 (**Appendix 1**) for Governance and Audit Committee to make any comments for consideration by Council when they consider this document for approval at their meeting on 15 July 2026.

## 2. Report

- 2.1 General Fund capital expenditure (including leases) for 2025/26 was £11.613m which was financed from grants and contributions, capital reserves and direct revenue financing. £0.815m of the expenditure was unfinanced and increased the Councils Capital Financing Requirement (underlying need to borrow). Housing Revenue Account capital expenditure for 2025/26 was £11.976m which was fully financed from capital receipts, the major repairs reserve, grants and contributions and direct revenue financing.
- 2.2 As at 31 March 2026, treasury investment balances were £31.086m compared with £25.609m the previous year and non-treasury investment balances were £12.659m compared with £12.624m the previous year. All treasury investments will mature in less than one year. The non treasury investments are long term equity investments in South Holland Local Housing Community Interest Company and Welland Homes plus loans to Welland Homes which are classified in the financial statements as long term debtors.
- 2.3 In March 2026 the Council repaid its £67.456m of PWLB HRA borrowing at 3.48% and received a discount of £18.372m. These loans were replaced with £50.000m of PWLB HRA borrowing at an average rate of 4.528%. These loans will mature between 2028 and 2030 when we anticipate interest rates to be lower. There will be an annual saving, with the annual interest payments reducing by approximately £0.084m in 2026/27 and 2027/28. In addition to the savings on interest payable, the Council will credit the HRA revenue account with one tenth of the discount (£1.837m) each year for the next ten years commencing in 2025/26.

2.4 The following table provides an analysis of the net treasury position for 2025/26:

<b>Category</b>	<b>2025/26 Original Budget £</b>	<b>2025/26 Outturn £</b>	<b>2025/26 Variance £</b>
GF Interest Received	(771,100)	(1,320,915)	(549,815)
HRA Interest Received	(327,000)	(643,573)	(316,573)
HRA Interest Paid	2,591,414	2,344,298	(247,116)
Premature Repayment of PWL B Borrowing - Discount Allocated to Revenue	<u>0</u>	<u>(1,837,163)</u>	<u>(1,837,163)</u>
HRA Net Position	2,264,414	(136,438)	(2,400,852)
<b>Total Net Position</b>	<b>1,493,314</b>	<b>(1,457,353)</b>	<b>(2,950,667)</b>

Section 106 balances have been credited with £0.041m of the interest reducing the final net surplus to £2.910m of which £0.508m relates to the General Fund and £2.401m is attribute to the HRA.

2.5 The rate of return on the Council's treasury investments averaged 4.54% for the 2025/26 financial year and Welland Homes loans achieved an average rate of 4.29%. This gave a combined rate for all investments of 4.50%.

2.6 A full review of the economy and interest rates is detailed in Section 8 of **Appendix '1'**.

2.7 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.

2.8 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.

## **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

HRA – Housing Revenue Account

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 – Treasury Annual 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
SHDC Treasury Management Strategy Statement for 2025/26	<a href="#">(Public Pack)Agenda Document for South Holland District Council, 27/02/2025 18:30</a>

## **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 Governance and Audit Committee.

## **Report Approval**

Report author: Sean Howsam – Treasury and Investments Manager (PSPSL)  
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Approved for publication: Councillor Paul A Redgate, Portfolio Holder for Finance.