

2025/26 TREASURY MANAGEMENT OUTTURN

Head of Service:	Cagdas Canbolat, Director of Corporate Services and Section 151 Officer (Chief Finance Officer)
Report Author	Richard Appiah-Ampofo, Sue Emmons
Wards affected:	(All Wards);
Appendices (attached):	Appendix 1 – Treasury Management Review Appendix 2 – Prudential Indicators

Summary

This report presents the Council's treasury management performance in 2025/26.

Recommendation (s)

The Group is asked to:

- (1) Receive the report on the Council's treasury management performance in 2025/26;**
- (2) Receive the 2025/26 prudential indicators.**

1 Reason for Recommendation

- 1.1 In July 2023, Full Council agreed updated Financial Regulations which tasked Financial Strategy Advisory Group (FSAG) with advising Audit & Scrutiny committee on the monitoring of treasury management performance.
- 1.2 Each year, FSAG reports back to Audit & Scrutiny Committee on the in-year monitoring and final outturn position of the Council's Treasury Management performance.
- 1.3 The Council's prudential indicators must also be received by a committee of members, in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Treasury Management in the Public Sector.

Financial Strategy Advisory Group

25 September 2026

2 Background

- 2.1 Income earned from investments is used to help finance the Council's services and contribute to the key priority 'Effective Council'.
- 2.2 The Treasury Management Strategy, approved by full council in February 2026, sets out the strategy and procedures for managing the council's cash flow.
- 2.3 A review of treasury management performance and activity is prepared on an annual basis. This is completed in line with the CIPFA Code of Practice for Treasury Management in the Public Sector and the Treasury Management Strategy approved by Council.
- 2.4 The reporting requirements of the annual performance review meet the requirements of the CIPFA Prudential Code.
- 2.5 The Council maintains prudent levels of revenue reserves, provisions and capital reserves as part of its financial strategy.
- 2.6 The Council's cash balances can be invested in fixed term deposits, money market funds or other secure investments such as long-term gilts, as prescribed by the Treasury Management Strategy.
- 2.7 At the end of March 2026, the Council held £9.3m in money market funds (£4.8m in March 2025) and £10.0m in fixed term deposits (£15.0m in March 2025).
- 2.8 In total on 31 March 2026, the Council's treasury investments were £19.3m (£19.8m in March 2025).
- 2.9 At the same reporting date, the Council had external debt with the Public Works Loans Board of £64.4m (unchanged from March 2025).
- 2.10 The Group will note that the Pension Fund does not form part of the Council's investments and is managed on our behalf by Surrey County Council.
- 2.11 The aim of treasury management is to ensure that funds are invested with institutions that balance the need to maximise investment returns with that of minimising risk on the monies invested. This means not investing in banks/building societies/institutions that offer high investment returns but are at high risk of defaulting.
- 2.12 During 2025/26, the Council earned £1,220,096 in gross interest from its treasury investments, compared to £1,556,683 in 2024/25. The reduction reflects both lower average cash balances, which fell by £2.3m to £27.8m, and lower average gross returns during the year (see section 3.4).

Financial Strategy Advisory Group

25 September 2026

3 Full Performance Review

- 3.1 A report on treasury management performance for 2025/26 is attached at Appendix 1.
- 3.2 The 2025/26 figures in this report are not expected to change, however, should there be any material amendments following completion of the external audit, these will be reported back to members.
- 3.3 No temporary borrowings were required in 2025/26.
- 3.4 The average gross return achieved for 2025/26 of 4.38% (5.17% in 2024/25) is ahead of the benchmark seven-day Sterling Overnight Index Average (known as SONIA) rate of 4.01% (equivalent in 2024/25 was 4.90%). This amounted to total gross interest income for the year of £1,220,096 generated on the cash balance held by the council. After deducting fees, net interest income for the year amounted to £1,178,313, a net return of 4.23%.
- 3.5 The net outturn position exceeded the mid-year forecast reported to the Financial Strategy Advisory Group in November 2025, when it was anticipated that net income from investments would be £1,042,000 at the end of the year.

The performance for 2025/26 on the Council's investments was as follows:

	Average Investment £'000	Net Interest Receivable £'000	Net Average Rate of Return %
Internally Managed Funds			
Money Market Funds	16,554	666	4.02%
Fixed Rate Deposits	10,438	496	4.76%
Interest Bearing Account	847	16	1.90%
Total	27,839	1,178	4.23%

- 3.6 Returns on 2025/26 investments were £236,313 higher than budgeted income for the year and the average net annualised return on investments was 4.23% (5.02% in 2024/25).

4 Internally Managed Funds

- 4.1 Money Market Funds

- 4.1.1 Money Market Funds are pooled investments that allow instant access to withdraw monies. The benefit of MMFs is that the risk on the investment is very low as the money invested in the fund is spread across a range of counterparties, which limits the exposure of a significant sum being invested with a defaulting counterparty.
- 4.1.2 The net return on money market funds was 4.02%, compared with the SONIA benchmark of 4.01%. Investment in money market funds provides the Council with flexibility to access its cash balances on any working day, thereby supporting its liquidity position. In practical terms, funds invested in money market funds remain accessible at same-day notice, enabling the Council to meet its forthcoming liabilities and payments to creditors as they fall due.

4.2 Interest Bearing Accounts

- 4.2.1 Interest bearing accounts offer the same instant access as the money market funds and deliver a rate of return linked to base rate set by the Bank of England.
- 4.2.2 The risk on these investments is also low, albeit potentially higher than the money market funds as money is deposited with one counterparty. Funds invested in this type of investment tend to be surplus of daily cash flows which need to be called back at short notice.
- 4.2.3 The net return made on interest bearing accounts of 2.05% is significantly below the SONIA benchmark of 4.01% gross return. Typically, this account is only used when limits with other counterparties were reached, as is reflected by the lower average investment figure.

4.3 Fixed Interest Investments

- 4.3.1 In 2025/26, the Council placed two fixed term deposits; one in April 2025 and one in September 2025, to reduce risk by locking in elevated interest rate returns for a fixed period. Over the year, the amount invested in fixed term deposits averaged £10.44m. The average gross return on these investments was 4.91%, with a net return after fees of 4.76%, which compares favourably to the benchmark of 4.01% gross return.

5 Interest Equalisation Reserve

- 5.1 The Interest Equalisation Reserve was established to enable variations in investment returns to be accommodated within the general fund budget without having an adverse effect on the levels of funds available for the delivery of services in year.
- 5.2 The balance of the reserve at 31 March 2026 was £433,745.

6 Risk Assessment

Legal or other duties

6.1 Equality Impact Assessment

6.1.1 None

6.2 Crime & Disorder

6.2.1 None

6.3 Safeguarding

6.3.1 None

6.4 Dependencies

6.4.1 None

6.5 Other

6.5.1 The Council approved the Treasury Management Strategy for 2025/26, which includes a risk management approach to investment of funds and returns.

7 Financial Implications

7.1 Financial implications are set out in the body of the report.

7.2 The 2026/27 mid-year position will be reported to this Group in November 2026

7.3 **Section 24 considerations:** None

7.4 **Section 151 Officer's comments:** Treasury management activity during 2025/26 was undertaken in accordance with the Treasury Management Strategy approved by Council and the CIPFA Code of Practice. The overriding objectives of security, liquidity and yield were maintained throughout the year, with no breaches of approved treasury limits or prudential indicators reported.

7.5 The Council achieved net investment income of £1.178m, exceeding the original budget by £236k despite lower average cash balances and reducing market interest rates during the year. This positive performance has supported the Council's overall financial position whilst maintaining a prudent approach to risk management. Effective treasury management is essential to ensuring the security of the Council's funds. Interest earned from the investments contributes towards the delivery of services to residents.

8 Legal Implications

- 8.1 The legal issues around treasury management have been addressed within the report. The key issue is to appropriately manage the risks around investment, and to ensure that all decisions are taken in accordance with the governance arrangements.
- 8.2 **Legal Officer's comments:** None arising from the content of this report.

9 Policies, Plans & Partnerships

- 9.1 **Council's Key Priorities:** The following Key Priorities are engaged:
- Effective Council
- 9.2 **Service Plans:** The matter is included within the current Service Delivery Plan.
- 9.3 **Climate & Environmental Impact of recommendations:** None arising directly from the contents of this report.
- 9.4 **Sustainability Policy & Community Safety Implications:** None arising directly from the contents of this report.
- 9.5 **Partnerships:** None arising directly from the contents of this report.
- 9.6 **Local Government Reorganisation Implications:** None arising directly from the contents of this report.

10 Background papers

- 10.1 The documents referred to in compiling this report are as follows:

Previous reports:

- Treasury Management Strategy – Appendix 12 of the Budget Report to Full Council on 11 February 2025.
- Treasury Management Outturn Report 2024/25 to FSAG on 26 September 2025.

Other papers:

- Final Accounts working papers 2025/26.