-REPORT TO:	**AUDIT COMMITTEE**		
DATE:	14th September 2026		
TITLE:	**ANNUAL TREASURY OUTTURN REPORT 2025/2026**		
TYPE OF REPORT:	Recommendation		
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OPEN/EXEMPT	Open	WILL BE SUBJECT TO A FUTURE CABINET REPORT:	*No*

Date of meeting: 14th September 2026

ANNUAL TREASURY OUTTURN REPORT 2025/2026

Summary
The Council has formally adopted the Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management (2017) and remains fully compliant with its requirements.

This Annual Treasury Outturn Report looks backwards at 2025/2026 and covers:

1. The 2025/2026 Treasury Outturn
2. Compliance with Treasury Limits
3. Outturn Summary

Additional supporting information:

Appendix 1 – Economic Outlook
Appendix 2 - Investments as at 31 March 2026
Appendix 3 - Borrowing as at 31 March 2026
Appendix 4 - Prudential Indicators

The Council's annual Treasury Strategy Statement 2025/2026 were approved by Council on the 27 February 2025.

Recommendations

1. The Audit Committee is asked to note the annual treasury outturn position for 2025/2026.

Reason for the Decision
The Council must make an annual review of its Treasury operation for the previous year, as part of the CIPFA code of Practice.

1. The Annual Treasury Management Review 2025/2026

1.1 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 2025/2026. 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).

1.2 During 2025/2026 the minimum reporting requirements were that the full Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 27 February 2025)
- a mid-year, (minimum), treasury update report (Audit Committee 17 February 2026)
- an annual review following the end of the year describing the activity compared to the strategy, (this report)

1.3 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

1.4 This Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Audit Committee before they were reported to the full Council.

2. Executive Summary

2.1 During 2025/2026, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Prudential and treasury indicators	2024/2025 Actual £'000	2025/2026 Actual £'000
Capital expenditure	39,657	39,561
Capital Financing Requirement	83,431	99,948
Gross borrowing	38,500	40,000
External debt *	38,627	40,102
Investments *	17,149	8,625
Net borrowing/(investments)	21,478	31,477

* Both the External debt and Investments figures shown in the table above include interest accruals. Whereas elsewhere in the report the amounts shown are the principal amounts only.

2.2 Details of prudential and treasury indicators follow below in the main body of this report.

2.3 As reported in section 5 of this report the Section 151 officer of the Council, confirms that –

- borrowing was only undertaken for capital purpose and that the spend on revenue is funded in accordance with the approved budget,
- that the statutory borrowing limit, (the authorised limit), was not breached, and
- that the cost of borrowing is an affordable proportion of the net revenue stream.

2.4 As reported in the year the Council's Treasury advisors presented an opportunity to refinance the Council's £10m of long terms loans. This has moved the borrowing to a short-term refinancing model, whilst at the same time presenting a net saving to the Councils revenue spend (circa £200k p.a for 10 years).

2.5 The Council budgeted a return of 3.19% and achieved an actual return of 3.97%.

3. Introduction and Background

3.1 This report covers the following:-

- Capital activity during the year i.e. capital expenditure and financing (section 4 below);
- Impact of this activity on the Council's underlying indebtedness, i.e. the Capital Financing Requirement (section 5 below);
- The actual prudential and treasury indicators;
- Overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances (section 6 below);
- Summary of interest rate movements in the year;
- Detailed debt activity; and
- Detailed investment activity

4. The Council's Capital Expenditure and Financing

4.1 The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

4.2 The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

General Fund	2024/2025 Actual £'000	2025/2026 Actual £'000
Capital expenditure	39,657	39,561
Financed in year	19,226	20,920
Unfinanced capital expenditure	20,431	18,641

5. The Council's Overall Borrowing Need

5.1 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2025/2026 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

5.2 Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies, (such as the Government, through the Public Works Loan Board [PWLB], or the money markets), or utilising temporary cash resources within the Council.

5.3 Reducing the CFR – the Council's underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This is effectively a repayment of the borrowing need. This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

5.4 The total CFR can also be reduced by:

- the application of additional capital financing resources, (such as unapplied capital receipts); or
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

5.5 The Council's 2025/2026 MRP Policy, (as required by Department for Levelling Up, Housing and Communities Guidance), was approved as part of the Treasury Management Strategy Report for 2025/2026 on 27 February 2025.

5.6 The Council's CFR for the year is shown below and represents a key prudential indicator. It includes leasing schemes that are on the balance sheet, as these increase the Council's borrowing need.

CFR (£m): General Fund	**31 March 2024/2025 Actual £'000**	**31 March 2025/2026 Actual £'000**
Opening Balance	65,379	83,431
Add unfinanced capital expenditure (as above 4.2)	20,431	18,641
Less MPR/VRP	(2,379)	(2,124)
Closing Balance	**83,431**	**99,948**

5.7 Borrowing activity is constrained by prudential indicators for gross borrowing and the CFR, and by the authorised limit.

5.7.1 **Gross borrowing and the CFR -** in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2024/25) plus the estimates of any additional capital financing requirement for the current (2025/26) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allowed the Council some flexibility to borrow in advance of its immediate capital needs in 2025/26. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

	31 March 2025 Actual £'000	**31 March 2026 Actual £'000**
Gross borrowing position	38,500	40,000
CFR	83,431	99,948
(Under) / over funding of CFR	(44,931)	(59,948)

5.8 **The authorised limit** - the authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2025/2026 the Council has maintained gross borrowing within its authorised limit.

5.9 **The operational boundary** – the limit beyond which external debt is not normally expected to exceed. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached. The S151 Officer confirms this limit has not been breached.

5.10 **Actual financing costs as a proportion of net revenue stream** - this indicator identifies the trend in the cost of capital, (borrowing and other long-term obligation costs net of investment income), against the net revenue stream.

5.11 At 3.79% debt is manageable to fund the approved capital programme, and 96.21% directly funding the services in the Revenue Budget. Whilst borrowing costs have increased over the previous year, the balance sheet (draft Statement of Accounts 2025/2026) supports reasoning for use of borrowing towards the Capital Programme through an increase in value for :

- Asset under construction (£12.866m), and
- Assets Held for sale (£5.362m).

	2025/2026 £'000
Authorised limit	94,000
Maximum gross borrowing position during the year	45,000
Operational boundary	84,000
Average gross borrowing position	32,790
Financing costs as a proportion of net revenue stream	3.79%

6 Treasury Position as at 31 March 2026

6.1 The Council's treasury management debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices. At the end of 2025/2026, the Council's treasury position (excluding borrowing by finance leases) was as follows:

DEBT PORTFOLIO	31 March 2025 Principal £'000	Rate/ Return	31 March 2026 Principal £'000	Rate/ Return
Fixed rate funding:				
- PWLB	20,000	4.86%	28,000	4.86%
- Market (Maturity Loan)	10,000	3.81%	0	0%
- Local Authorities (Maturity Loans)	8,500	5.65%	12,000	5.40%
Total debt	**38,500**		**40,000**	
CFR	**83,431**		**99,948**	
Over / (under) borrowing	**(44,931)**		**(59,948)**	
Total investments	**17,015**	**4.3%**	**8,530**	**3.83%**
Net of debt and investments	**(21,485)**		**(31,470)**	

6.2 The maturity structure of the debt portfolio was as follows:

	31 March 2025 Actual £'000	31 March 2026 Actual £'000
Under 12 months	28,500	40,000
12 months and within 24 months	-	-
2 years and within 50 years	-	-
Over 50 years	10,000	0

As at the 31 March 2026 the council had three short-term loans with a collective value of £40,000,000 due to mature during 2026/2027. The two market loans with Barclays of £5,000,000 each were repaid during 2025/2026 at a discounted rate.

The £8,530,000 investments at the year-end comprised of; £2,710,000 Money Market Funds, and £5,820,000 in instant access bank accounts.

6.3 Full details for both the borrowing and the investments can be found in Appendices 1 and 2.

INVESTMENT PORTFOLIO	Actual 31 March 2025 £000	Actual 31 March 2025 %	Actual 31 March 2026 £000	Actual 31 March 2026 %
Treasury investments				
Call Accounts / Instant Access Accounts	0	0	5,820	68%
Money Market Funds	13,015	76%	2,710	32%
Local authorities	4,000	24%	0	0
Other Short Term Fixed Investments	0	0	0	0
TOTAL TREASURY INVESTMENTS	**17,015**	**100%**	**8,530**	**100%**

6.4 The maturity structure of the treasury investment portfolio was as follows:

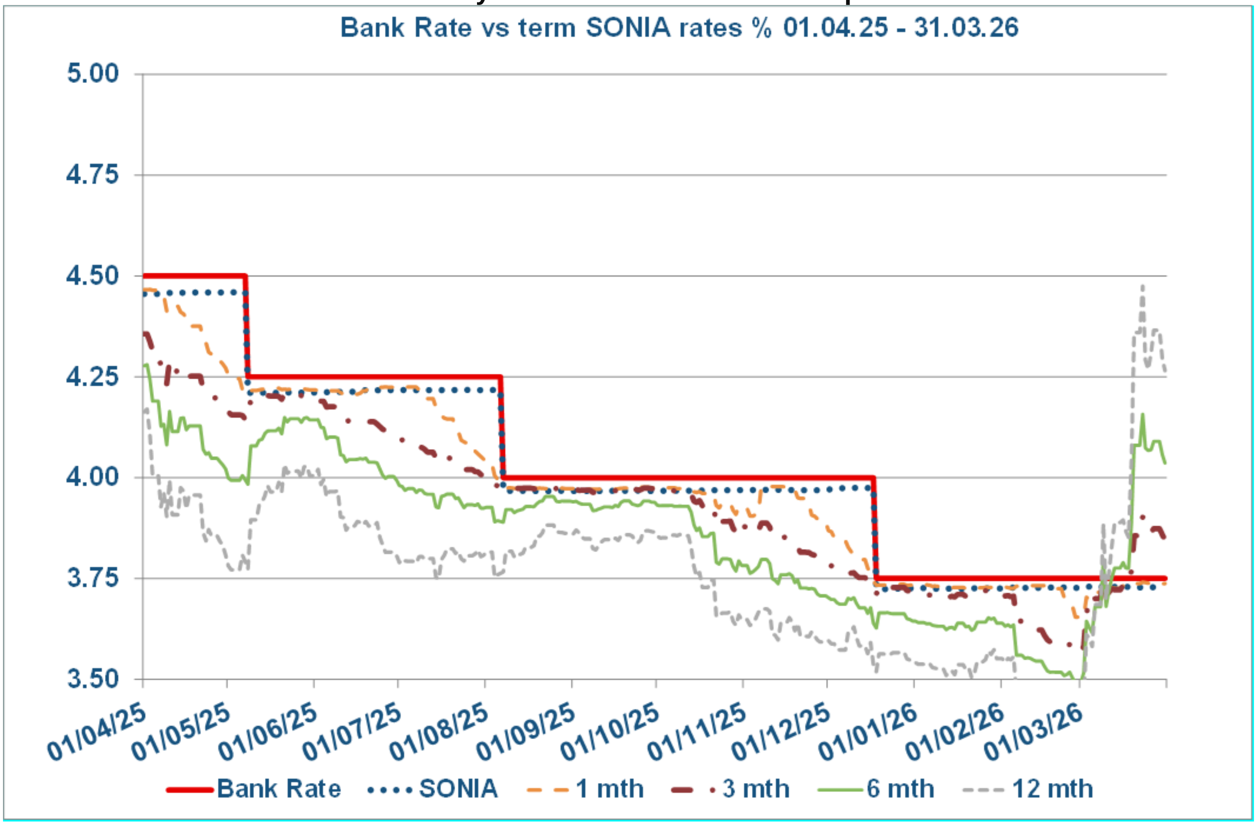
	31 March 2025 Actual £000	31 March 2026 Actual £000
Treasury Investments:		
Longer than 1 year	0	0
Up to 1 year	17,015	8,530
Total	**17,015**	**8,530**

7 The Strategy for 2025/2026

7.1 Investment strategy and control of interest rate risk

Investment Benchmarking Data – Sterling Overnight Index Averages (Term) 2025/26

This table shows the movement of key beanchmark rates over the previous 12 months.



7.2 Investment returns remained robust throughout 2025/26 with Bank Rate reducing steadily through the course of the financial year (three 0.25% rate cuts in total), and even at the end of March the yield curve had turned positive, reflecting inflation concerns emanating from the on-going conflict in the Middle East.

Bank Rate reductions of 0.25% occurred in May, August and December, bringing the headline rate down from 4.5% to 3.75%. Two of the Bank Rate cuts occurred in the same month as the Bank of England publishes is Quarterly Monetary Policy Report, therein providing a clarity over the timing of potential future rate cuts.

As of early April 2026, market sentiment has been heavily influenced by the Middle East conflict. Commentators anticipate a growing risk of inflation, meaning interest rates will not be cut for some time, and may increase to counteract inflationary pressures rising from steepening energy costs. Growth will also be impacted in many regions of the world. UK GDP is projected by the Office for Budget Responsibility (3 March 2026) to be 1.1% in 2026 before picking up to 1.6% in 2027 and 2028. But the likelihood is that there is downside risk to this forecast given events in the Middle East through March and still on-going.

Looking back through 2025/26, returns in a range of 4.5% - 5% for periods ranging from 1 month to 12 months in the spring of 2025. By end of March 2026, deposit rates were somewhat volatile, regaining some traction as the Middle East conflict suggested energy driven inflation may lead to higher interest rates than would otherwise have been the case. Where liquidity requirements were not a drain on day-to-day investment choices, extending duration through the use of "laddered investments" paid off, ensuring that maturity dates and investment periods vary to improve flexibility of access to market, better managing risk and reward.

Heading into 2026/27, UK inflation is likely to increase to over 4% in the coming months as oil prices, for example, remain close to $100 per barrel, over 50% higher than before the Middle East conflict started.

7.3 Borrowing strategy and control of interest rate risk

7.4 During 2025/26, the Authority maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt as cash supporting the Authority's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as near-term investment rates have generally been lower than medium to long-term borrowing costs. The latter are expected to fall a little through 2026 and 2027 in the light of economic growth concerns and the eventual dampening of inflation. The Authority has sought to minimise the taking on of long-term borrowing at elevated levels (>5%) and has focused on a policy of internal and temporary borrowing, supplemented by short-dated borrowing (<5 years) as appropriate.

7.6 Interest rate forecasts initially suggested gradual reductions in short, medium and longer-term fixed borrowing rates during 2025/26. Whilst the Bank Rate did reduce to 3.75% as anticipated, the initial expectation of significant rate reductions did not transpire, primarily because inflation concerns remained elevated in March 2026.

At the start of April 2026, the market expected the Bank Rate to increase over the coming months to 4% of 4.25%, from 3.75%, whilst all parts of the curve have also risen substantially through March. A significant fall in inflation will be required to underpin any material movement lower in the longer part of the curve.

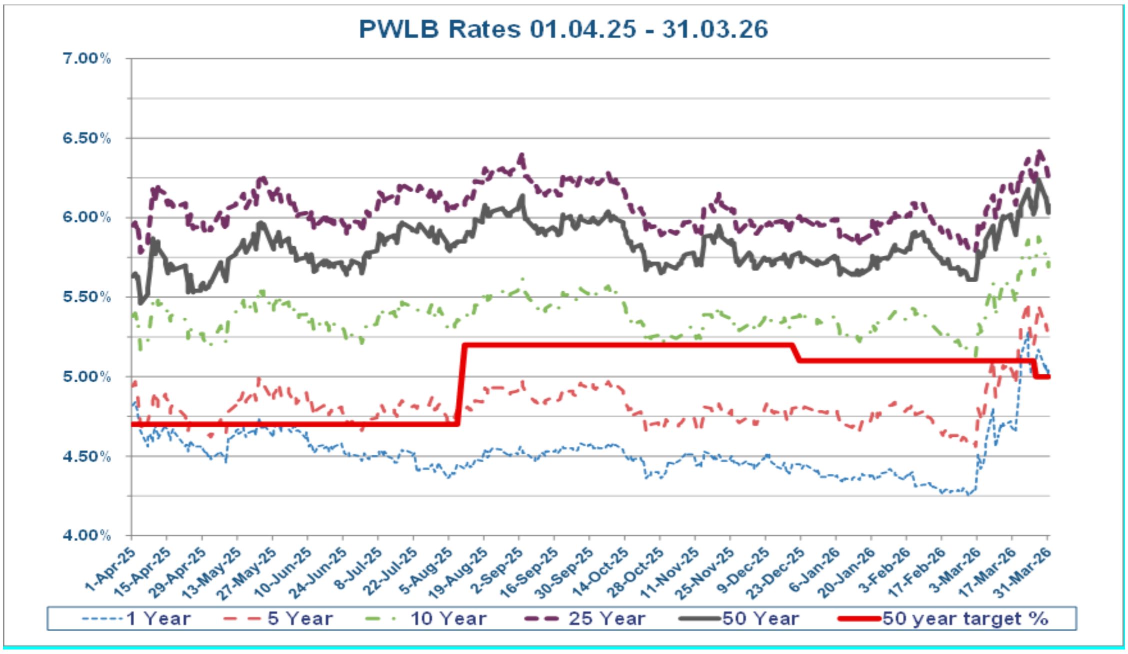
Forecasts at the time of approval of the treasury management strategy report for 2025/26 were as follows:

MUFG Corporate Markets Interest Rate View 11.11.24													
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
BANK RATE	4.75	4.50	4.25	4.00	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50
3 month ave earnings	4.70	4.50	4.30	4.00	4.00	4.00	3.80	3.80	3.80	3.50	3.50	3.50	3.50
6 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
12 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
5 yr PWLB	5.00	4.90	4.80	4.60	4.50	4.50	4.40	4.30	4.20	4.10	4.00	4.00	3.90
10 yr PWLB	5.30	5.10	5.00	4.80	4.80	4.70	4.50	4.50	4.40	4.30	4.20	4.20	4.10
25 yr PWLB	5.60	5.50	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.50
50 yr PWLB	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.40	4.30	4.30

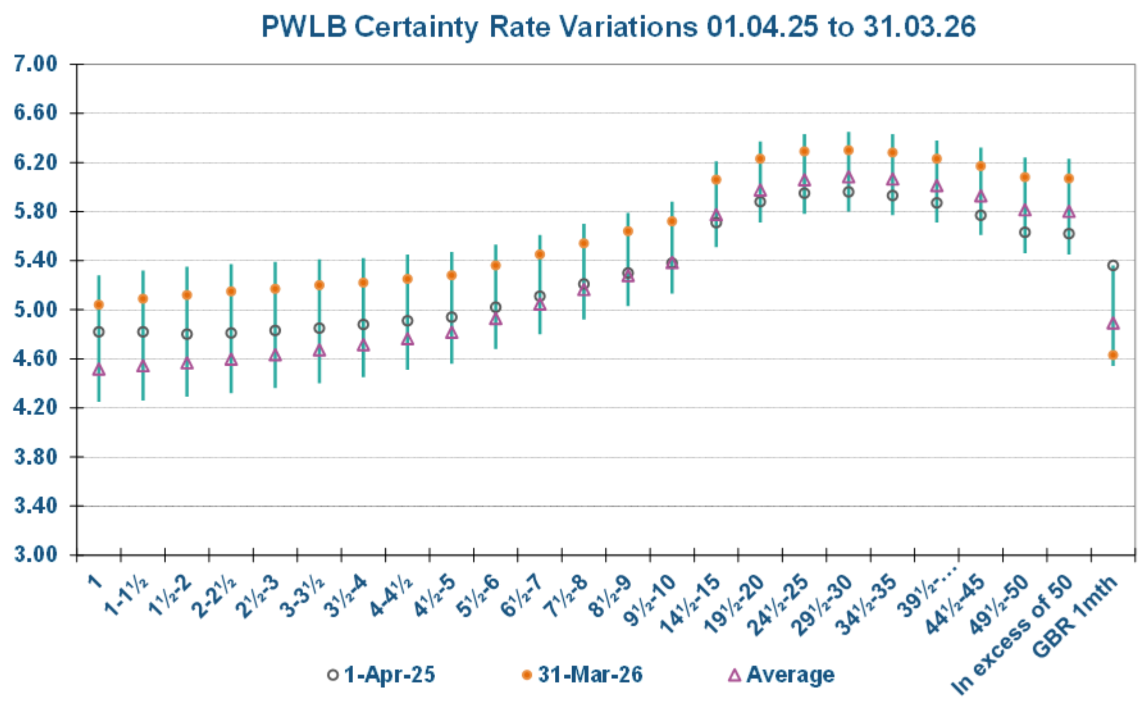
PWLB RATES 2025/26

The PWLB lending facility is operated by the UK Debt Management Office (DMO) on behalf of HM Treasury and provides loans to local authorities, and other specified bodies, from the National Loans Fund, operating within a policy framework set by HM Treasury. This borrowing is for capital projects.

The above graph represents the movement in future loan rates over time.



The graph below attempts to identify the range in which the interest rates (cost of loans) is expected to vary over time. This is then replicated in part in the table below where key points in time are evaluated.



At the time of its creation, the forecast for the first year was that the interest rate would be no higher than 5.28% and no lower than 4.25%. The final row in the table, 'Spread' identifies the difference between the two rates, which then gives an indication as to how confident they are of future rates.

PWLB rates are based on gilt (UK Government bonds) yields through HM Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, inflation expectations and movements in US treasury yields. Inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation and the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years.

HIGH/LOW/AVERAGE PWLB RATES FOR 2025/26

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.25%	4.56%	5.13%	5.78%	5.46%
Date	27/02/2026	27/02/2026	02/03/2026	04/04/2025	04/04/2025
High	5.28%	5.47%	5.88%	6.43%	6.24%
Date	23/03/2026	23/03/2026	27/03/2026	27/03/2026	27/03/2026
Average	4.52%	4.82%	5.38%	6.06%	5.81%
Spread	1.03%	0.91%	0.75%	0.65%	0.78%

7.7 However, since early 2022, yields have risen dramatically in all the major developed economies, first as economies opened post-Covid; then because of the inflationary impact of the war in Ukraine in respect of the supply side of many goods. In particular, rising cost pressures emanating from shortages of energy and some food categories have been central to inflation rising rapidly. More recently , the Middle East conflict is likely to see inflation spike higher from late spring 2026 through to early 2027.

7.8 Gilt yields have been volatile through 2025/26. The low point for long-term rates of 25 and 50 years' duration was reached early in April 2025, whilst the low points for short and medium dated rates were reached in early 2026, prior to the outbreak of the Middle East conflict.

At the close of 31 March 2026, the 1-year PWLB Certainty rate was 5.04% whilst the 25-year rate was 6.29% and the 50-year rate was 6.08%.

Regarding PWLB borrowing rates, the various margins attributed to their pricing are as follows: -

- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

8 Borrowing Outturn

8.1 Long-term borrowing was not undertaken during the year. Short-term borrowings were sought during 2025/26 for cashflow purposes which are fully repaid. In addition a short term loan has been used to repay the Councils long term loans.

8.2 A sum of £28,000,000 was drawn from the PWLB to fund unfinanced capital expenditure, this is also classed as short-term as the maturity is within 12 months. At the end of the term when the repayment is due, resources will be assessed to determine if the loan is still required. It is expected that rates will be lower by this time if there is a need.

Lender	Principal	Type	Interest Rate	Maturity
PWLB	£28m	Fixed interest rate	3.51%	1 year

8.3 **Borrowing in advance of need**
The Council has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed.

8.4 **Rescheduling**
There was no rescheduling during the year.

9 Investment Outturn

9.1 Investment Policy – the Council's investment policy is governed by MHCLG investment guidance, which has been implemented in the annual investment strategy approved by the Council on 27 February 2025. This policy sets out the approach for choosing investment counterparties 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 prices etc.).

9.2 **Resources** – the Council's cash balances comprise revenue and capital resources and cash flow monies. The Council's core cash resources comprised as follows:

Balance Sheet Resources	31 March 2025 £'000	31 March 2026 £'000 *
Balances	8,097	10,430
Earmarked reserves	33,445	34,640
Provisions	1,004	1,237
Usable capital receipts	6,744	6,973
Total	**49,290**	**53,280**

*The figures are provisional until the finalised audit of the 2025/2026 statement of accounts

9.3 **Investments held by the Council**

- The average balance of investments for the year was £15,943,000
- The average rate of return for the year on investments was 3.97%

10 **Background Information**

- Monthly budget monitoring reports
- Annual Treasury Strategy (Council 27 February 2025)

Appendix 1 – Economic Outlook

The following is provided by the Councils Treasury Advisors – MUGF Corporate Markets (April 26)

UK Economy

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). The Bank Rate currently stands at 3.75%.

Moreover, borrowing has becoming increasingly expensive in 2025/26. Gilt yields have risen materially in March 2026, more than reversing the falls earlier in the financial year.

The table below provides a snapshot of the conundrum facing central banks: inflation pressures remain, labour markets are still relatively tight by historical comparisons, and central banks are also having to react to a fundamental re-ordering of economic and defence policies by the US administration.

	UK	Eurozone	US
Bank Rate	3.75%	2.0%	3.5% - 3.75%
GDP	0.1%q/q Q4 (1.0%y/y)	+0.2%q/q Q4 (1.2%y/y)	0.7% Q4 Annualised
Inflation	3.0%y/y (Feb)	1.9%y/y (Feb)	2.4%y/y (Feb)
Unemployment Rate	5.2% (Jan)	6.2% (Jan)	4.4% (Feb)

The Bank of England sprung no surprises in their March meeting, leaving Bank Rate unchanged at 3.75% by a vote of 9-0, but suggesting rates may need to rise if inflation picks up markedly. The MPC stated it “stands ready to act as necessary” and is “alert to the increased risk of domestic inflationary pressures through second-round effects in wage and price-setting”. It is suspected that the committee is likely to put equal weight on higher inflation and weaker growth, particularly the poor macroeconomic backdrop prior to the energy shock, keeping interest rates at 3.75% this year.

10-year Gilt yields have been exceptionally volatile in the final weeks of 205/26, troughing at around 4.23% in late February before shooting up to 5.00% (and well through that on an intraday basis). That spike was driven by the outbreak of war in the Middle East, which prompted a dramatic reassessment of investors’ Bank of England policy rate expectations. Having been pricing in rate cuts in late February , as many as four rate *hikes* were discounted by late-March. The 10-year yield ended the quarter at 4.92% with around 65bp of rate hikes priced in over the coming year. In addition to more hawkish monetary policy expectations, part of this increase in yields probably reflected an increase in term premia amid concerns that the government may react by loosening the fiscal purse strings.

As for equity markets, the FTSE 100 experienced another volatile quarter, surging to an all-time high of around 10,900 in late February, leaving it up 10% from the start of 2026, before giving back most of those gains in March after the outbreak of the Middle East conflict. That pullback leaves the index at around 10,176 at the end of the quarter. For context it was at 8,582 at the start of April. The £ has stayed relatively resilient also at $1.33, strengthening from $1.29 back in April.

USA Economy

Despite a weak finish to 2025, the US economy has generally been the strongest among the developed economies, but with uncertainties growing surrounding President Trump's central economic tenet of being able to apply tariffs on an ad-hoc basis and bend the FOMC Fed Funds rate decision-making to his will, there is something of a stalemate in place at present over 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. But will those refunds be – at least partially – offset by higher gasoline prices?

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%.

EZ Economy

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.

APPENDIX 2 - Investments as at 31 March 2026:

Treasury Investments	Principal £	Fixed Start Date	Fixed End Date	Rate
Bank of Scotland (Lloyds)	4,000,000	N/A	N/A	3.51%
Barclays FIBCA	560,000	N/A	N/A	3.25%
Handlesbanken	1,260,000	N/A	N/A	3.40%
LGIM Sterling MMF	2,710,000	N/A	N/A	3.95%
Total Liquid Accounts	**8,530,000**			
Other Treasury Investments	**-**			
Total Treasury Investments	**8,530,000**			

APPENDIX 3 - Borrowing as at 31 March 2026:

Start Date	End Date	Value £	Institution	Rate %	Term
26.03.26	26.06.26	£ 7,000,000	Middlesbrough Teeside Pension Fund	3.51	3 months
19.03.26	19.03.27	£ 28,000,000	Public Works Loan Board	3.51	12 Months
31.03.26	05.01.27	£ 5,000,000	West Midlands Combined Authority	3.51	9 months
Total Short Term		**£ 40,000,000**			
Total Long Term		**£ 0**			
Total Borrowing		**£ 40,000,000**			

APPENDIX 4: Prudential Indicators

PRUDENTIAL INDICATOR	2024/2025 Actual £000's	2025/2026 Actual £000's
Capital Expenditure	36,657	39,651
Ratio of financing costs to net revenue stream	0.96%	-3.79%
Net borrowing		
Brought forward 1 April	15,000	38,500
Carried forward 31 March	38,500	40,000
Change in year - increase/(decrease)	23,500	1,500
Net Investment		
Brought forward 1 April	(7,500)	(17,015)
Carried forward 31 March	(17,015)	(8,530)
Change in year - increase/(decrease)	9,515	(8,485

Capital Financing Requirement

The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's debt position. The CFR results from the capital activity of the Council and what resources have been used to pay for the capital spend. It represents the 2025/2026 unfinanced capital expenditure, and prior years' net unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

CFR (£m): General Fund	31 March 2024/2025 Actual £'000	31 March 2025/2026 Actual £'000
Opening Balance	65,379	83,431
Add unfinanced capital expenditure (as above 4.2)	20,431	18,641
Less MPR/VRP	(2,379)	(2,124)
Closing Balance	**83,431**	**99,948**

Net borrowing and the CFR

In order to ensure that borrowing levels are prudent over the medium term the Council's external borrowing, net of investments, must only be for a capital purpose. This essentially means that the Council is not borrowing to support revenue expenditure. Net borrowing should not therefore, except in the short term, have exceeded the CFR for 202/2026. This essentially means that the Council is not borrowing to support revenue expenditure. The table below highlights the Council's net borrowing position against the CFR. The Council has complied with this prudential indicator.

CFR	31 March 2025 Actual £'000	31 March 2026 Actual £'000
Borrowing	38,500	40,000
Investments	(17,015)	(8,530)
Net Position	**21,485**	**31,470**
Closing CFR	**83,431**	**99,948**

Actual financing costs as a proportion of net revenue stream

This indicator identifies the trend in the cost of capital (borrowing and other long-term obligation costs net of investment income) against the net revenue stream (Council Tax and Government Grant).

	2025/2026 £'000
Authorised limit	94,000
Maximum gross borrowing position during the year	45,000
Operational boundary	84,000
Average gross borrowing position	32,790
Financing costs as a proportion of net revenue stream	3.79%

TREASURY MANAGEMENT PRUDENTIAL INDICATORS	2024/2025 £'000	2025/2026 £'000
Authorised limit for external debt -		
Borrowing	72,000	94,000
Operational boundary for external debt -		
Borrowing	67,000	84,000
Upper limit for fixed interest rate exposure (100%)		
Net principal re fixed rate borrowing /investments	72,000	94,000
Upper limit for variable rate exposure (40%)		
Net principal re variable rate borrowing / investments	28,800	37,600

Maturity structure of fixed rate borrowing during 2025/2026	upper limit	lower limit	Actual
under 12 months	100%	0%	100%
12 months and within 24 months	100%	0%	0%
24 months and within 5 years	100%	0%	0%
5 years and within 10 years	100%	0%	0%
10 years and above	100%	0%	0%