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Borough of Telford and Wrekin

Audit Committee

15 July 2026

Treasury Management - 2025/26 Annual Report and 2026/27 Update Report

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Cabinet Member:	Cllr Zona Hannington - Cabinet Member: Finance & Governance
Lead Director:	Michelle Brockway - Director: Finance, People and IDT
Service Area:	Finance, People and IDT
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Wards Affected:	All Wards
Key Decision:	Not Key Decision
Forward Plan:	Not applicable
Report considered by:	Audit Committee – 15 July 2026 Full Council – 26 November 2026

1.0 Recommendations for decision/noting:

Audit Committee is recommended to -

1.1 Note the contents of the report;
1.2 Note the performance against Prudential Indicators; and
1.3 Recommend the report to Full Council.

2.0 Purpose of Report

2.1 This report updates members on the outcome of Treasury Management activities for 2025/26 and details the position for 2026/27 to 31 May 2026.

3.0 Background

3.1 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 2025/26. 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).

3.2 During 2025/26, the reporting requirements were that the full Council should receive the following reports:

- an annual treasury strategy in advance of the year
- a mid-year, treasury update report
- an annual review following the end of the year describing the activity compared to the strategy, (this report)

3.3 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.

3.4 This report confirms that the Council 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. Member training on treasury management was provided by the Councils external Treasury Management advisor MUFG Corporate Markets (MUFG) on 29 January 2025 and 27 January 2026 in order to support members' scrutiny role.

3.5 The Council has procured MUFG as its external Treasury Management advisor. Guidance is sought from MUFG prior to any investment or long-term borrowing decision.

4.0 Summary of main proposals

A glossary of the abbreviations used in this report is included at Appendix A.

4.1 2025/26 Annual Treasury Management Report

The 2025/26 Treasury Strategy was approved by Full Council on 27 February 2025 after being recommended for approval by this Committee on 29 January 2025.

4.2 Treasury & Prudential Indicators

During 2025/26, 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 (£m)	2025/26 Original	2025/26 Outturn		2024/25 Outturn
Capital Expenditure				
• Total	151.563	113.253		87.173
Capital Financing Requirement:				
• Total	670.577	668.395		604.910
• Less Other Long-Term Liabilities	(38.457)	(39.184)		(41.170)
• **Loans CFR**	**632.120**	**629.211**		**563.740**
Borrowing Limits (Debt)				
• Authorised Limit	665.000	665.000		655.000
• Operational Boundary	645.000	645.000		635.000
Gross borrowing				
• External Debt	502.877	492.660		434.903
Treasury Investments				
• Under 1 year	15.000	23.866		22.062
Net borrowing				
• Total	487.877	468.794		412.841

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. It should be noted that borrowing can only be undertaken to fund capital investment and not to support the revenue budget which supports the delivery of most Council services. The capital investment funded generates assets for the Council. The total value of assets held, excluding Infrastructure Assets, at 31 March 2026, including long-term investments and long-term debt held in Nuplace Ltd, was £688.6m some £195.9m greater than debt outstanding. In addition, the Council also holds £249.5m of Infrastructure Assets (highways, footpaths, bridges and structures).

Interest rate forecasts initially suggested gradual reductions in short, medium and longer-term fixed borrowing rates during 2025/26. The Bank of England base rate for interest was 4.5% in April 2025 and following several steady cuts throughout the year it had fallen to 3.75% by March 2026, in line with the forecast. However, the initial expectation of significant rate reductions across the whole curve did not transpire, primarily because inflation concerns were very elevated in March 2026.

The forecast trajectory for interest rates at the time the Council set the 2026/27 budget anticipated further downward movement, however the war in Iran and across large parts of the Middle East, which commenced on 28 February 2026, has led to a period of instability within the markets and interest rates have remained elevated with any cuts in the short-term deemed unlikely.

In April 2025 CPI inflation stood at 3.5% compared to 3.4% in March 2026 which is above the Bank of England's 2% target. During the year CPI peaked at 3.8% (July, August & September). Inflationary pressures impact on the cost of delivering services, which has been evident during 2025/26.

A detailed economic commentary has been provided by MUFG and is included at Appendix B.

Capital Expenditure and Financing

The Council undertakes capital expenditure on long-term assets. The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

Capital Expenditure (£m)	2025/26 Original	2025/26 Outturn		2024/25 Outturn
General Fund Service	72.389	54.199		39.769
Housing Investment Programme (NuPlace Ltd)	29.130	26.431		26.722
Property Investment Portfolio	15.468	13.385		18.251
Telford Land Deal	34.576	19.238		2.431
Capital Programme Expenditure	**151.563**	**113.253**		**87.173**
Financed in year*	68.998	55.284		42.918
Unfinanced capital expenditure (Borrowing)	**82.565**	**57.969**		**44.255**

* Source of financing in year included government grants, capital receipts, revenue contribution & contributions form external sources

Overall Borrowing Need (Capital Finance Requirement)

The Council's overall 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 2025/26 unfinanced capital expenditure and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

The Council's 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. This is achieved through the Council making an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This is effectively a repayment of the borrowing need.

The Council's CFR for the year is shown below and represents a key prudential indicator. It includes PFI and leasing schemes on the balance sheet, which technically increase the Council's borrowing need. No borrowing is required against these schemes as a borrowing facility is included in the contract.

CFR (£m)	2025/26 Original	2025/26 Outturn		2024/25 Outturn
General Funded Service	465.514	472.667		443.069
Housing Investment Programme (NuPlace Ltd)	121.380	115.988		93.110

CFR (£m)	2025/26 Original	2025/26 Outturn		2024/25 Outturn
Property Investment Portfolio	79.884	75.940		64.931
Solar Farm	3.800	3.800		3.800
Closing balance	**670.577**	**668.395**		**604.910**
Less Other Long-Term Liabilities	(38.457)	(39.184)		(41.170)
Loans CFR	**632.120**	**629.211**		**563.740**

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 CFR. The Council has complied with this prudential indicator.

	2025/26 Original £m	2025/26 Outturn £m		2024/25 Outturn £m
Gross borrowing position (external debt)	502.877	492.660		434.903
Loans CFR	632.120	629.211		563.740
(Under) / over funding of CFR	(129.243)	(136.551)		(128.837)

The authorised limit - the authorised limit is the "affordable borrowing limit" required by section 3 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 2025/26 the Council has maintained gross borrowing within its authorised limit.

The operational boundary – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.

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.

	2025/26
Maximum gross borrowing position during the year	£492.660m
Loans CFR at the end of the period	£629.211m
Authorised limit (Borrowing)	£665.000m
Operational boundary (Borrowing)	£645.000m
Financing costs as a proportion of net revenue stream (rebased to match ongoing net revenue stream following 2026/27 Local Government Finance Settlement)	Original – 6.7% Outturn – 6.9%

It should also be noted that neither the Authorised Limit nor the Operational Boundary, were exceeded during 2025/26.

4.3 **Borrowing Strategy**

The borrowing strategy for 2025/26 was to –

- borrow temporarily on a short-term basis as determined by cash flow,
- to take advantage of interest rates where possible to lock into medium and long-term borrowing, and
- to review opportunities for new longer term borrowing as appropriate.

During the year the Council complied with this strategy and

- 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,
- 11 new PWLB loans were raised, across a mix of periods of 1 to 5 years, totalling £120.0m. Maturities of PWLB loans totalled £40.3m,
- £197.0m of temporary loans of less than 12 months, through the Local-to-Local Market, were raised, renewed or replaced, and
- 1 Lender Option Borrower Option (LOBO) Loan was 'Called' by the lender and the option was taken to repay the loan.

Appendix C includes the detailed Debt Portfolio, the Maturity Structure of Debt and a detailed list of PWLB Loans raised during 2025/26.

4.4 **Investment Strategy**

The investment strategy for 2025/26 was primarily to ensure security of capital and liquidity balanced with delivering a commensurate rate of return.

The Council complied with this strategy by -

- investing surplus cash balances with H.M. Treasury's Debt Management Office accessing their Debt Management Account Deposit Facility via the use of overnight deposits,
- holding a balance of £4.98m in accessible Money Market Funds, and
- holding a working balance of approximately £2.5m per day in our corporate bank account.

Appendix C includes the detailed Treasury Investment Portfolio along with the Maturity Structure of Treasury Investments.

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted credit score of its investment portfolio. This is calculated by applying a score to each investment and taking the arithmetic average, weighted by the size of each investment.

Credit Risk Indicator (at 31 March)	**2025/26 Target £m**	**2025/26 Outturn £m**		**2024/25 Outturn £m**
Up to 1 year	6 or lower	1.52		1.63

Target – 6 or lower is equivalent to a credit rating of 'A' or higher

4.5 **2025/26 Revenue Outturn**

Overall, a net pressure of £0.27m was realised against budget for the year. The pressure arose from elevated interest rates associated with borrowing compared to interest rates for investments, interest paid on balance held by the authority being greater than budgeted being offset by benefit from capitalising some interest charges and MRP contributions being lower than anticipated.

4.6 **Debt on Disaggregation**

The Council makes an annual contribution towards the costs of borrowing undertaken before disaggregation (i.e. pre unitary inception). The contribution in 2025/26 was £0.977m which included interest at an average of 4.0%. The rate of interest paid on the debt is managed by Shropshire Council.

4.7 **Leasing**

Each year the Council arranges leases for assets such as vehicles, computers and equipment. This helps spread the cost over a number of years in line with the anticipated life of the asset. During 2025/26 two leases were entered into totalling £645k

Appendix C details the leases arranged during 2025/26.

4.8 2026/27 Treasury Management Update

The 2026/27 Treasury Strategy was approved by Full Council on 26 February 2026 after being recommended for approval by this Committee on 28 January 2026.

4.9 **Treasury & Prudential Indicators**

During 2026/27, the Council will need to comply 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 (£m)	**2026/27 Original**	**2026/27 Projection at 31.5.26**		**2025/26 Outturn**
Capital expenditure				
• Total	116.316	164.860*		113.253
Capital Financing Requirement:				
• Total	746.733	745.644*		668.395
• Less Other Long-Term Liabilities	(38.639)	(38.639)		(39.184)
• **Loans CFR**	**708.095**	**707.005***		**629.211**

Prudential and treasury indicators (£m)	2026/27 Original	2026/27 Projection at 31.5.26		2025/26 Outturn
Borrowing Limits (Debt)				
• Authorised Limit	840.000	840.000		665.000
• Operational Boundary	820.000	820.000		645.000
Gross Borrowing				
• External Debt	565.727	576.065*		492.660
Treasury Investments				
• Under 1 year	15.000	15.000		23.866
• **Total**	**15.000**	**15.000**		**23.866**
Net borrowing				
• Total	550.727	561.065*		468.794

* subject to rephasing to be reported as part of the 2026/27 Financial Monitoring report to Cabinet in September 2026

Treasury Management Activity for 2026/27 remains consistent with that outlined in the 2026/27 Treasury Management Strategy.

It should be noted that projected external debt does not exceed the projected CFR, and the projected CFR does not exceed the borrowing limits.

The Treasury Management portfolio at 31 May 2026 was as follows:

Prudential and treasury indicators (£m)	Actual
External Debt	
• PWLB	328.320
• Municipal Loans	0.110
• Market Loans (inc. LOBOs)	30.00
• Temporary Loans	133.513
• **Total External Debt**	**491.943**
Treasury Investments	
• Bank	6.412
• DMADF	20.000
• Money Market Funds	4.980
• **Total Treasury Investments**	**31.392**
Net borrowing	
• **Total**	**460.551**

Interest rate forecasts at the time that the 2026/27 Treasury Management Strategy was approved suggested gradual reductions in short, medium and longer-term fixed borrowing rates during 2026/27. The Bank of England Interest Rate (Bank Rate) did reduce to 3.75% by March 2026 as anticipated, but the initial expectation of significant rate reductions across the whole curve did not transpire, primarily because inflation concerns were very elevated in March 2026, driven predominantly by unsettlement in the markets caused by the ongoing uncertainties in Iran and the Middle East.

At the start of April 2026, markets expected the Bank Rate to increase over the short-term horizon to 4.25%. However, latest forecasts anticipate the Bank Rate being held by the Bank of England at its current level of 3.75% until mid-2027 and then reduce to 3.25% by March 2028.

In May 2026, CPI inflation had fallen to 2.8%, which reflected an unchanged position from April 2026 and compared to 3.3% in March 2026. The rate of inflation remains above the Bank of England's target of 2%. It is currently anticipated that inflation will peak at 4% during 2026/27.

4.11 Borrowing

New borrowing will be required during the year, in line with the approved capital programme. When entering new borrowing, consideration will be given to the maturity profile of current debt, interest rates and refinancing risks as well as the source of funding, which is expected to be a mix of temporary loans (under 1 year) and longer-term loans obtained from the Public Works Loans Board.

As at 31 May 2026 –

- No new PWLB loans have been raised during the period and £3.2m of loans have been repaid. In total £65.1m of PWLB Loans are due to mature during the year.
- £25.0m of temporary loans had been repaid on maturity during the period and £17.5m of new temporary loans had been raised.

4.12 Treasury Investments

Up to and including 31 May 2026, surplus cash flows have continued to be invested in H.M Treasury's Debt Management Account Deposit Fund and the balance of £4.98m with Money Market funds has been maintained. The use of these counterparties allows cash surpluses to be invested securely whilst still allowing access to funds, thus complying with the approved strategy.

Investment opportunities will be reviewed as they arise, and we will seek to gain maximum benefit within the agreed risk parameters i.e. considering security and liquidity ahead of investment returns.

The Council does not currently hold any long-term treasury investments. This strategy reduces counter-party risk and reduces net interest costs as longer-term borrowing costs tend to be greater than we are able to earn on new investments.

The Council can place up to £15.0m with any Counterparty, except for H.M. Treasury's DMO facility which is Government backed and therefore considered the most secure available to the Council. At 31 May 2026 the greatest exposure with a single counterparty was £20.0m (63.7% of the portfolio) with the DMO and the Council has complied with the £15m limit with other counterparties.

The Credit Risk Indicator score for the portfolio mix at the 31 May 2026 was 2.39 compared to a target of 6.

4.13 **Projected performance**

Senior Officers from the Finance Team are closely monitoring the Treasury position, particularly with the likelihood of the forecast interest rates cuts at the time the MTFS was set no longer likely to occur. Updates will be provided in future financial monitoring reports taken to Cabinet.

5.0 Alternative Options

5.1 The Council must ensure that it manages its finance in accordance with legislation and the CIPFA Code of Practice. The recommendations in this report support that aim and are based on consideration of a range of factors.

6.0 Key Risks

6.1 The key opportunities and risks associated with treasury management activities are set out in the body of the report and in the Treasury Management Strategy and Policy approved by Council and will be regularly monitored throughout the year.

7.0 Council Priorities

7.1 Effective management of the Council's Treasury portfolio helps support the Council's overall financial position through minimising borrowing costs and optimising investment income whilst following the principles of Security, Liquidity and Yield; and therefore, supports the delivery of all Council priorities.

8.0 Financial Implications

8.1 The financial implications are detailed in the body of the report and the appendices.

9.0 Legal and HR Implications

9.1 The Section 151 Officer has responsibility for the administration of the financial affairs of the Council. In providing this report, the Section 151 Officer is meeting one of the responsibilities of the post contained within the Council's Constitution namely, "The Chief Financial Officer will contribute to the promotion and maintenance of high standards of governance, audit, probity and propriety, risk management and the approval of the statement of accounts through provision of support to the Audit Committee." This is also in compliance with the requirements of the Local Government Act 2003 and associated regulations.

10.0 Ward Implications

10.1 There are no impacts on specific wards in this report.

11.0 Health, Social and Economic Implications

11.1 The Economic Climate has direct relevance to Treasury Management and is covered in detail in the report and accompanying appendices.

12.0 Equality and Diversity Implications

12.1 The Council will not knowingly directly invest in organisations whose activities include practices which directly pose a risk of serious harm to individuals or groups, or whose activities are inconsistent with the values of the Council. At the same time the Council will take full responsibility for proper management of risk and safeguarding its investments by ensuring that they are diversified and made with organisations that are suitably credit assessed.

13.0 Climate Change and Environmental Implications

13.1 Part of the Councils Treasury portfolio includes a Municipal Investment Loan on the Abundance Platform: the Telford & Wrekin Climate Action Investment which supports the Councils climate change agenda.

14.0 Background Papers

1 Treasury Management Update Report 2024/25 and Treasury Management Strategy 2025/26
2 2025/26 Prudential Indicators Report
3 2025/26 Treasury Management Update Report & 2026/27 Treasury Management Strategy
4 2026/27 Prudential Indicators Report

15.0 Appendices

A Glossary of abbreviations
B 2025/26 Treasury Management Annual Report Economy & Interest Rates
C 2025/26 Treasury Management Annual Report additional information

16.0 Report Sign Off

Signed off by	Date sent	Date signed off	Initials
Finance	12/06/2026	22/06/2026	ER
Legal	12/06/2026	07/07/2026	ON
Director	12/06/2026	22/06/2026	MLB