Committee Report Checklist

Please submit the completed checklists with your report. If final draft report does not include all the information/sign offs required, your item will be delayed until the next meeting cycle.

Stage 1
Report checklist – responsibility of report owner

ITEM	**Yes / No**	**Date**
Councillor engagement / input from Chair prior to briefing		
Commissioner engagement (if report focused on issues of concern to Commissioners such as Finance, Assets etc)		
Relevant Group Head review		
MAT+ review (to have been circulated **at least 5 working days before Stage 2**)		
This item is on the Forward Plan for the relevant committee	Y	16/07/26
	Reviewed by	**Date**
Finance comments (circulate to Finance)		
Risk comments	LO	03/08/26
Legal comments	**LH**	**03/08/26**
HR comments (if applicable)		

For reports with material financial or legal implications the author should engage with the respective teams at the outset and receive input to their reports prior to asking for MO or s151 comments.

Do not forward to stage 2 unless all the above have been completed.

Stage 2
Report checklist – responsibility of report owner

ITEM	**Completed by**	**Date**
Monitoring Officer commentary – at least **5 working days before MAT**	**L Heron**	**03/08/26**
S151 Officer commentary – at least **5 working days before MAT**	T. Collier	31/7/26
Confirm final report cleared by MAT		

Corporate Policy and Resources Committee

08/09/2025

Title	Treasury Management Annual Outturn Report 2025/26
Purpose of the report	To Inform and be Assured
Report Author	Peter Worth, Interim Treasury Management Accountant
Ward(s) Affected	All Wards
Exempt	No
Corporate Priority	Community Addressing Housing Need Resilience Environment Service delivery
Recommendation	**Committee is asked to:** To receive the Treasury Management outturn position for 2025/26.
Reason for Recommendation	To promote effective financial management and comply with the Code of Practice (the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code), last updated in 2021 and the CIPFA Prudential Code for Capital Finance, along with meeting the requirements of the Council's Financial Regulations.

1. Executive summary of the report

What is the situation	Why we want to do something

• The Council has a statutory duty to present the Annual Treasury Management Outturn report to the Committee and the Council to show the performance of the Council's Treasury Management activities during the financial year.
• Since May 2025, The Council has been under Statutory Direction, issued by the Secretary of State, requiring it to:
  • Reduce borrowing;
  • Set Minimum Revenue Provision (MRP) in accordance with Statutory Guidance; and
	• Treasury Management is crucial to the Council's cash flow, investment and borrowing to mitigate the risk
	• To proactively look to manage down over time the Council's outstanding long-term borrowing.

• Rationalise its investment property portfolio.
• The Council has both a significant debt portfolio (most of which is at fixed rates) of £718m (£704m long term and £14m of short term as at 31/3/26), short-term treasury investments of £21m and investment property of £526m.
• In response to the Statutory Direction, the Council:
  • Restructured £905m of PWLB borrowing in November 2025 realising a discount of £342m (equivalent to a 32% reduction in outstanding debt);
  • Approved a revised MRP Policy in December 2025; and
  • Has embarked on an investment asset disposal programme which will generate capital receipts which will be used to further reduce the Council's borrowing.
• Officers review its liquidity and cashflow on a weekly basis.
• The Council needs to seek to minimise financing costs whilst maximising returns on surplus funds whilst managing risk	

This is what we want to do about it	**These are the next steps**
• Mitigate risk by diversify Investment and borrowing. • Over time the Council will be looking to generate capital receipts to reduce its long-term debt balances. • Continuing to seek ongoing regular professional advice from our advisers	• To closely monitor and manage the treasury function in the new financial year 2026/27. • To acknowledge this report.

2. Key Issues

2.1. The Council is required to produce a Treasury Management Strategy each year as part of the budget setting process. The content and layout of the strategy also needs to meet a number of specific requirements in terms of:

- Statutory requirements, principally the Local Government Act 2003 and the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended, and the associated statutory Government guidance; and

- CIPFA’s Code of Practice on Treasury Management, (the Treasury Management Code), and the Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

2.2. The Treasury Management Strategy sets out the Council’s approach to ensuring cashflows are adequately planned to ensure that the Capital Programme and corporate investment plans are adequately funded, with cash being available when it is needed to discharge the Council’s legal obligations and deliver Council services. It is also concerned with managing the debt position of the Council.

2.3. Under the Treasury Management Code (2021 edition), the minimum reporting requirements are that full Council should receive the following reports:

- an annual Treasury Management Strategy (TMS) to be followed in the following year – the 2025/26 TMS was approved by Council 27 February 2025;
- a mid-year treasury update report – approved 11 December 2025; and
- an annual report following the end of the year comparing performance for the year against the originally approved strategy (this report for 2025/26).

2.4. The Deputy Chief Executive/s151 Officer confirms that the Council has complied with the above reporting requirements of the Treasury Management Code to give prior scrutiny to all of the above treasury management reports by the Corporate Policy and Resources Committee before they were reported to the full Council and that all Prudential Indicators were complied with, apart from the affordability indicators, as summarised in Table 1 below. It should be noted that the two affordability indicators are unsustainably high. Until the Council’s borrowing level is reduced to a level reflecting the size of the Council’s taxbase, these indicators will continue to exceed the Prudential Indictor significantly.

2.5. Full details are set out in the Treasury Outturn report for 2025/26 at Appendix A.

Table 1 Summary of Prudential Indicators

PI ref	Para ref		2024/25 Actual	2025/26 Estimate	2025/26 Outturn	RAG Indicator
			£m	£m	£m	
1	3.4	Capital expenditure	33.1	7.4	5.8	G
2	3.8	Capital Financing Requirement	1,163.8	1,166.6	1,119.7	G
3	3.9	Net debt v. CFR - (under)/over borrowed	(94.6)	(124.3)	(402.2)	G
		Ratio of financing costs to net revenue stream (Affordability):				
4a	3.1	excluding investment property income	315%	313%	309%	R
4b	3.11	including investment property income	78%	92%	93%	R
5a	4.8	Authorised limit for external debt		1,270	1,270	G
5b	4.8	Operational boundary for external debt		1,170	1,170	G
6	5.5	Limit on surplus funds held for more than 364 days (i.e. non-specified investments	65.3	70.0	66.1	G
		Maturity structure of borrowing				
7a	4.1	upper limit under 12 months		10%	2%	G
7b	4.1	lower limit 10 years or more		0%	100%	G

KEY	
Exceeds PI significantly	R
Near but not within PI	A
Within or at PI level	G

2.6. Training for members on treasury management has yet to take place but will be arranged by end of October.

2.7. Due to change of officers over the past 15 months, the Treasury Management Policies (TMPs) have been updated. The revised TMPs are at Appendix B for Member approval.

3. Options analysis and proposal

3.1. This report deals with the Treasury Management Outturn for 2025/26 and the outturn plays a significant part in supporting the delivery of all the Council's corporate priorities.

4. Financial management implications

4.1. The financial implications are as set out in this report. The ability to maximise interest returns is paramount to generate sufficient funds to support the General Fund and even a small decline in interest rates can mean a significant reduction in cash returns. Therefore, it is our aim to continue to maintain flexibility commensurate with the high level of security and liquidity and minimal risk when making investment decisions.

4.2. In addition to supporting the Council's Revenue Budget and Capital Programme, the Treasury Management interest budget is an important part of the revenue budget. Any savings achieved, or overspends incurred, have a direct impact on the financial performance of the budget (although there is an interest equalisation reserve which can potentially mitigate some under-delivery).

5. Risk management considerations

5.1. The Local Government Act 2003, the Prudential Code and the Treasury Management Code of Practice include a key principle that the Council's appetite for risk is included in their annual Treasury Management Strategy and this should include any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and liquidity when investing.

5.2. The principal risks associated with treasury management are set out below:

	Risk	Mitigation
1	Loss of investments as a result of failure of counterparties	Limiting the types of investment used, setting lending criteria for counterparties, and limiting the extent of exposure to counterparties.
2	That the Council will commit too much of its investments in fixed term investments and might have to recall investments prematurely resulting in possible additional costs or new borrowing (Liquidity risk).	Ensuring that a minimum proportion of investments are held in short-term investments for cashflow purposes.
3	Increase in the net financing costs of the Council due to borrowing at high rates of interest.	Planning and undertaking borrowing and lending considering assessments of future interest rate movements, and by undertaking mostly long-term borrowing at fixed rates of interest (to reduce the volatility of capital financing costs). Commencing the asset disposal plan to generate capital receipts to reduce borrowing.

	Risk	Mitigation
4	Higher interest rates increase borrowing making it more difficult to self-finance capital schemes. Debt servicing becomes less affordable and less sustainable and crowds out revenue spend.	In the run-up to Local Government Reorganisation to defer most new capital schemes, particularly any requiring new borrowing.
5	Return on non-treasury investments lower than expected.	Review and analysis of risk prior to undertaking non-treasury investments.
6	The Council's Minimum Revenue Provision policy charges an insufficient amount to the General Fund to repay debt at a prudent level.	Align the Minimum Revenue Provision policy to the service benefit derived from the Council's assets.
7	Associated with cash management, legal requirements and fraud.	These risks are managed through: • Treasury Management Practices covering all aspects of treasury management procedures, including cashflow forecasting, documentation, monitoring, reporting and division of duties • All treasury management procedures and transactions are subject to inspection by internal and external auditors. The Council also employs external treasury advisors to provide information on market trends, credit rating alerts, lending criteria advice and investment opportunities.
8	Increase in capital financing costs due to inflationary forces resulting in increased cost pressures on current capital projects and higher costs compared to approved budgets.	Regular monitoring of the Capital Programme through comparison to budgets.

6. Procurement

6.1. None

7. Legal considerations

7.1. The powers for a local authority to borrow and invest are governed by the Local Government Act 2003 (LGA 2003) and associated regulations. A local authority may borrow or invest for any purpose relevant to its functions, under any enactment, or for the purpose of the prudent management of its financial affairs (sections 1 and 12 of LGA 2003). The provisions in section 15 of the LGA 2003 also specify that authorities should have regard to the guidance issued or specified by the Secretary of State when carrying out their treasury management functions. The current statutory guidance includes the CIPFA Treasury Management Code, the CIPFA Prudential Code and the MHCLG Investment Guidance.

7.2. The report is in accordance with the requirements of the CIPFA Treasury Management Code, the CIPFA Prudential Code and complies with the Council's statutory obligation under the LGA 2003 to have regard to these Codes.

7.3. This report also assists the Council to monitor its investments and borrowing.

Corporate implications

8. Commissioners' comments

8.1. To be completed.

9. S151 Officer Comments

9.1. The S151 Officer, confirms that the report covers the relevant financial implications and summarises how the Council has complied with relevant Codes of Practice and guidance.

10. Monitoring Officer Comments

10.1. The Monitoring Officer confirms that the recommendation in this report is consistent with the Council's statutory obligations.

11. Other considerations/Local Government Reorganisation

11.1. The Council fully complies with best practice as set out in CIPFA's 2023 Treasury Management and Prudential Codes and in the Government's Guidance on Investments.

11.2. Nothing in the Council's current strategy is intended to preclude or inhibit capital investment in local projects deemed beneficial to the local community and which have been approved by the Council.

11.3. The outturn report confirms that overall total borrowing (including leases) has reduced, as at 31st March 2026,to £719m – a reduction of £352m from 1 April 2025, largely due to the debt restructuring in November 2025. Borrowing is forecast to reduce further to £699m by 31 March 2027, which remains unsustainably high for a borough council. This underlines the need for the Council to continue to implement the Improvement and Recovery Plan, in particular the investment asset disposal plan to generate capital receipts which will further reduce overall borrowing levels for the new West Surrey Council.

12. Equality, Diversity, and Inclusion

12.1. Equality, diversity and inclusion (EDI) are central everything that we do and are woven throughout our Strategic Plans

13. Sustainability/Climate Change Implications

13.1. In view of the move to short-term investments in the run-up to local government reorganisation and the divestment from pooled investments earlier in 2025/26, there is no need to consider transitioning towards an Environmental, Social and Governance compliant basis.

14. Timetable for implementation.

14.1. Not applicable.

15. Contact

15.1. Peter Worth, Interim Treasury Management Accountant – P.worth@spelthorne.gov.uk .

Background papers:

- Capital Budget, Prudential Indicators & Treasury Management Strategy 2025/26
- CIPFA Code of Practice for Treasury Management (2021 Edition)
- CIPFA Prudential Code for Capital Finance in Local Authorities (2021 Edition)

Appendices:

Appendix A – Treasury Management Outturn report 2025/26
Appendix B – Treasury Management Policies
Appendix C – Glossary - Local Authority Treasury Management Terms.