Annual Treasury Management Review 2025/26

Maldon District Council
16 July 2026

Contents

Annual Treasury Management Review 2025-26

Purpose

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).

During 2025-26 the minimum reporting requirements were that the Council should receive the following reports:

- an annual treasury strategy in advance of the year (Full Council - February 2025)
- a mid-year, (minimum), treasury update report (Strategy & Resources Committee – November 2025)
- an annual review following the end of the year describing the activity compared to the strategy, (this report)

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.

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 Strategy and Resources Committee before they were reported to Council. Member training on treasury management issues is undertaken for each set of elected members.

Executive Summary

During 2025-26, the Council complied with its legislative and regulatory requirements. The key prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as shown below.

Overall, the most significant capital expenditure in the year related to costs associated with the development and renovation of the leisure centre (£2.5m). Other material schemes included works funded through the Disabled Facilities Grant (£627k), a range of refurbishment of play sites around Maldon (£462k), the refurbishment of four kiosks (£160k), and the lake seating area (£190k) in Prom Park.

Prudential and treasury indicators	31.3.25 Actual £000	31.3.26 Actual £000
Capital expenditure	6,913	5,880
Capital Financing Requirement (including leases):	32	18
External debt including leases	32	18
Investments • Longer than 1 year • Under 1 year • Total	 5,000 16,000 21,000	 5,000 9,500 14,500
Net Investment	20,968	14,482

Other prudential and treasury indicators are to be found in the main body of this report. The Chief Finance Officer confirms that the borrowing limit, (the authorised limit), was not breached.

1. The Council's Capital Expenditure and Financing

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.

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

£m General Fund	31.3.25 Actual	31.3.26 Actual
Capital expenditure	6,913	5,880
Financed in year	2,985	5,894
Unfinanced capital expenditure / Capital Financing Requirement	**3,973**	**3,968**

2. The Council's Overall Borrowing Need

A Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR). 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 (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

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, (e.g. the Government, through the Public Works Loan Board – PWLB - or from commercial banks), or via temporary cash resources within the Council.

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 is different to the treasury management arrangements which ensure that cash is available to meet capital commitments – 'liquidity'). External debt can be borrowed or repaid at any time, but this does not change the CFR.

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).

The Council's 2025-26 MRP Policy, (as required by MHCLG Guidance), was approved by Full Council as part of the Treasury Management Strategy Report for 2025-26 on 13 February 2025.

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 increase the Council's borrowing need. No borrowing is actually required against these schemes as a borrowing facility is included in the contract.

CFR (£000): General Fund	2024/25 Actual	2025/26 Actual
Opening CFR	**55**	**3,982**
Capital Expenditure	6,913	5,880
Total	**6,968**	**9,862**
Financed by:		
MRP	14	14
External sources (Government & Other Grants)	2,467	1,898
Capital Receipts	506	3,982
Revenue Contribution	0	0
Total Financing	**2,987**	**5,894**
Closing CFR	**3,982**	**3,968**

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

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 (2025-26) 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 iindicator.

	31.3.25 Actual	31.3.26 Budget	31.3.26 Actual
Gross borrowing position	£0.032m	£0.000m	£0.018m
CFR	£0.032m	£0.000m	£0.018m
Under / over funding of CFR	£0.000m	£0.000m	£0.000m

The CFR in the table above reflects outstanding amount of a Hire Purchase agreement with John Deere (2023/24)

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 2025-26 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
Authorised limit	£16.5m
Maximum gross external debt position during the year	£0.018m
Operational boundary	£7.0m
Average gross external debt position	Nil
Financing costs as a proportion of net revenue stream	Nil

3. Treasury Position as at 31 March 2026

The Council's treasury management debt and investment position is led by the finance team. Guiding priorities are liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities ('yield'). 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. They are subject to review via both internal and external audit.

INVESTMENT PORTFOLIO	31.3.25 Actual £000	31.3.25 Actual %	31.3.26 Actual £000	31.3.26 Actual %
Treasury investments				
Banks	4,159	21.7%	3,769	23.2%
Building societies - rated	2,000	10.4%	2,000	12.3%
Building societies – unrated	0	0.0%	0	0.0%
Local authorities	0	0.0%	0	0.0%
DMADF (H M Treasury)	0	0.0%	1000	6.1%
Total managed in-house	**6,159**	**32.1%**	**6,769**	**41.6%**
Bond funds	2,000	10.4%	2,000	12.3%
Property funds	3,000	15.7%	3,000	18.4%
Cash fund managers	8,000	41.8%	4,500	27.7%
Total managed externally	**13,000**	**67.9%**	**9,500**	**58.4%**
TOTAL TREASURY INVESTMENTS	**19,159**	**100%**	**16,269**	**100%**

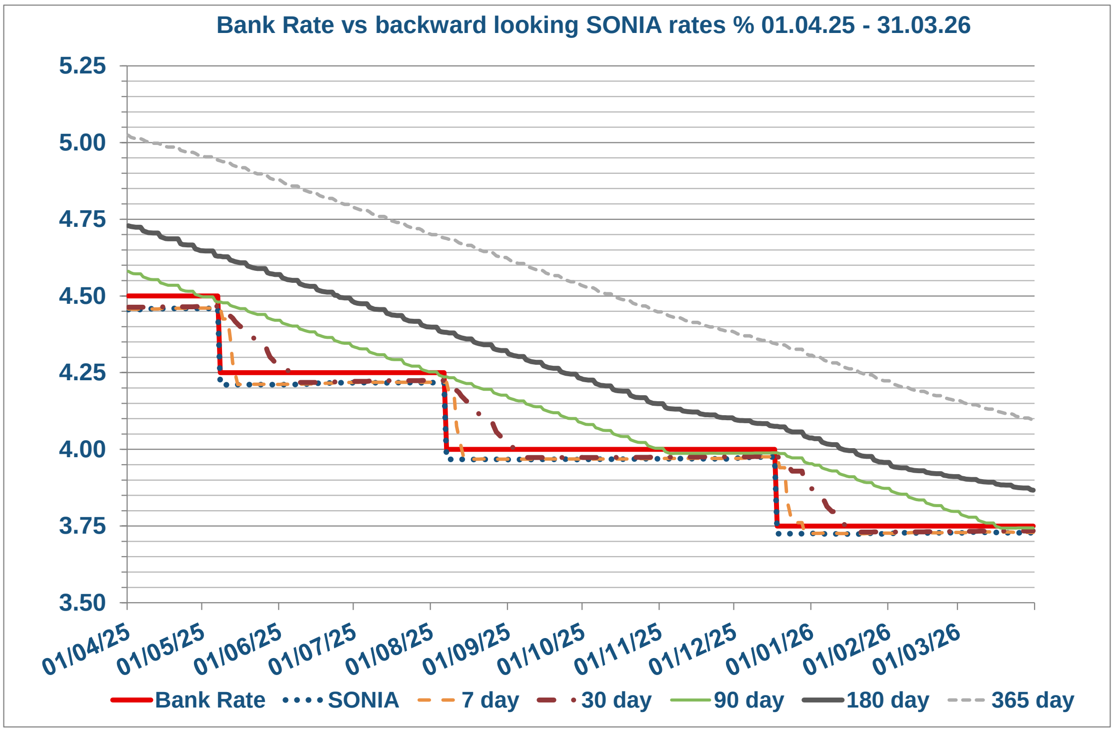
The maturity structure of the investment portfolio was as follows:

	31.3.25 Actual £000	31.3.26 Actual £000
Investments		
Longer than 1 year	5,000	5,000
Up to 1 year	12,000	9,500
Total	**17,000**	**14,500**

4. The Strategy for 2025-26

4.1 Investment strategy and control of interest rate risk

Investment Benchmarking Data – Sterling Overnight Index Averages (Backward-looking) 2025/26



FINANCIAL YEAR TO QUARTER ENDED 31/03/2026							
	Bank Rate	SONIA	7 day	30 day	90 day	180 day	365 day
High	4.50	4.46	4.46	4.47	4.58	4.73	5.02
High Date	01/04/2025	07/05/2025	28/04/2025	06/05/2025	01/04/2025	01/04/2025	01/04/2025
Low	3.75	3.72	3.73	3.73	3.74	3.87	4.09
Low Date	18/12/2025	22/12/2025	22/01/2026	21/01/2026	18/03/2026	31/03/2026	31/03/2026
Average	4.04	4.01	4.02	4.05	4.13	4.26	4.55
Spread	0.75	0.74	0.74	0.74	0.84	0.86	0.93

Investment returns remained robust throughout 2025/26 despite Bank Rate reducing steadily through the course of the financial year (three 0.25% rate cuts in total), and 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 4.50% to 3.75%. Two of the Bank Rate cuts occurred in the same month as the Bank of England publishes its 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 arising 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, investors were able to achieve returns generally in a range of 4.5% - 5% for periods ranging from 1 month to 12 months in the spring of 2025. By the 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.

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

4.2 Borrowing strategy

No specific external borrowing had been planned for at the time of approving the Treasury and Capital Strategies in February 2025. Interest rate forecasts are provided by Link Group to inform the Council what the cost of borrowing is likely to be should borrowing become necessary.

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

MUFG Corporate Markets Interest Rate View 25.03.26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28	Mar-29
BANK RATE	3.75	3.75	3.75	3.75	3.75	3.50	3.50	3.25	3.25	3.25	3.25	3.25
3 month ave earnings	4.00	3.90	3.80	3.80	3.70	3.50	3.50	3.30	3.30	3.30	3.30	3.30
6 month ave earnings	4.20	4.10	4.00	3.90	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.50
12 month ave earnings	4.60	4.50	4.40	4.20	4.20	4.00	4.00	3.80	3.80	3.80	3.80	3.80
5 yr PWLB	5.00	5.00	4.90	4.80	4.60	4.40	4.20	4.20	4.10	4.10	4.10	4.10
10 yr PWLB	5.50	5.50	5.40	5.30	5.10	4.90	4.70	4.70	4.60	4.60	4.60	4.60
25 yr PWLB	6.00	6.00	5.90	5.80	5.60	5.40	5.20	5.20	5.20	5.20	5.10	5.10
50 yr PWLB	5.80	5.80	5.70	5.50	5.40	5.20	5.00	5.00	5.00	5.00	4.90	4.90

5. Investment Outturn

The investment activity during the year was within the approved strategy, and the Council had no liquidity concerns.

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 (£m)	31.3.25	31.3.26
Balances	8,814	7,618
Earmarked reserves	6,569	2,841

Provisions	100	100
Usable capital receipts	994	1,019
Total	**13.737**	**16.302**

Investments held by the Council

- The Council maintained an average balance of £22.580m of investment funds.
- The invested funds earned an average rate of return of 4.64%.
- Total investment income was £1.047m compared to a budget of £0.664m primarily due to the phasing of capital spend in year. Additionally, higher interest rates than assumed through the year, drove a larger return.

Investments held by fund managers

The Council uses 5 external fund managers to invest part of its cash balances. The performance of the managers against the benchmark return was:

Fund Manager	Investments Held (£m)	Average Return (%)	Benchmark (%) *
Federated	£0.000	0%	3.0
Goldman Sachs	£0.000	0%	3.0
Deutsche	£4.500	4.02%	3.0
CCLA	£3.000	4.17%	3.0
Ninety One	£2.000	4.20%	3.0

This compares with a budgeted 2025-26 assumption of average investment balances of £22m at 3% investment return. Performance during the year has been better than estimated when setting the budget, as investment balances were maintained at a higher level and interest rates were increased and held higher by the Bank of England than anticipated.

6. The Economy and Interest Rates

UK Economy

As with 2024/25, 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). Bank Rate currently stands at 3.75%.

Moreover, borrowing has becoming more expensive in 2025/26. Gilt yields have risen materially in March 2026, more than reversing the falls earlier in the financial year. Additionally, the public finances have remained under pressure. The higher-than-expected public net sector borrowing of £14.3bn in February was £2.2bn above last February's outturn. But that borrowing overshoot was mainly due to timing effects relating to the £13.0bn government debt interest payment. That came in as the highest payment since June 2025, causing a 12.3% y/y jump in spending. On the flip side, sitting at £8.1bn, tax revenues were also higher than last February, largely on the back of solid growth in self-employment incomes in 2024/25, boosting self-assessment income tax receipts and stronger capital gains tax receipts.

However, the combination of some energy price support and pressures from higher inflation amid the ongoing energy price shock, higher interest rates and a weaker economy will ultimately put borrowing on an upward trend. With the rise in energy prices possibly pushing the Retail Prices Index inflation up to a peak of 5.7%, debt interest repayments will increase by about £10bn. A weaker growth profile, higher inflation, higher interest rates and gilt yields could erode about £11bn of the Chancellor's £23.6bn headroom.

The loosening in the labour market continues to bear down on wage growth. The 3myy growth rate of average earnings including bonuses slowed from 4.2% in December to 3.9% in January. Meanwhile, excluding bonuses, private earnings growth continued to fall from 3.4% to 3.3%.

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 driven largely 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 vote could best be described as moderately hawkish. 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”. Even so, we suspect 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 2025/26, 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.

7. Other Issues

1. IFRS 9 fair value of investments

English authorities: Following the consultation undertaken by the Department of Levelling Up, Housing and Communities [DLUHC] on IFRS 9, the Government has extended the mandatory statutory override for local authorities to reverse out all unrealised fair value movements resulting from pooled investment funds to 31st March 2026. Local authorities are required to disclose the net impact of the unrealised fair value movements in a separate unusable reserve throughout the duration of the override in order for the Government to keep the override under review and to maintain a form of transparency.

The Council has 2 Pooled Funds that are valued at Fair Value at 31 March each year.

Fund	***Invested Amount £000***	***Fair Value £000***	***Capital Gain/(Loss) £000***
CCLA - Lamit Property fund	3,000	2,764	-236
Ninety One (INVESTEC) - Diversified Income Fund	2,000	1,768	-232
Total	5,000	4,532	-468

Both pooled funds are lower in fair value than the amounts originally invested. This means that had they been redeemed on 31 March the investment market would have dictated that the Council will have only received £4.532m instead of the £5m invested. A statutory over-ride means this loss will not be charged to the Council's Comprehensive Income and Expenditure account. The statutory over-ride remains in existence until 31 March 2026. After that point there is a risk that any loss in value would impact negatively on the General Fund reserve is that override is lifted. Conversely, an increase in value would be a positive impact on the General Fund. This is being monitored closely.

These investments are still held as long-term investments and the nature of them mean their values rise above the invested amount and fall below frequently over time. E.g. On 31 March 2022 they were valued at £5.223m. Also, Investment returns on these funds are received every year. In the last financial year £209k was received. These pooled funds are very unlikely to be needed on short notice by the Council, so the timing of divesting from these investments can be strategically decided for the greatest benefit for the Council.

Appendix A: Investment Portfolio

Investments held as at 31st March 2026:

	31-Mar-26
	Actual Portfolio
	£000
Treasury investments:	
UK Banks - Natwest - Barclays	 1,769 2,000
Building societies (unsecured) - Nationwide	 2,000
Certificate Deposit	0.0
Money Market Funds - Federated - Deutsche	 4,500 0.0
Local Authorities	
Other Financial Intermediaries - CCLA Lamit - Ninety One	 3,000 2,000
Debt management office	1,000
Total treasury investments	**16,269**

ABBREVIATIONS USED IN THIS REPORT

CFR: capital financing requirement - the Council's annual underlying borrowing need to finance capital expenditure and a measure of the Council's total outstanding indebtedness.

CIPFA: Chartered Institute of Public Finance and Accountancy – the professional accounting body that oversees and sets standards in local authority finance and treasury management.

CPI: consumer price index – the official measure of inflation adopted as a common standard by the UK and countries in the EU. It is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them.

DLUHC: the Department for Levelling Up, Housing and Communities - the Government department that directs local authorities in England.

ECB: European Central Bank - the central bank for the Eurozone

EU: European Union

EZ: Eurozone -those countries in the EU which use the euro as their currency

GDP: gross domestic product – a measure of the growth and total size of the economy.

G7: the group of seven countries that form an informal bloc of industrialised democracies - the United States, Canada, France, Germany, Italy, Japan, and the United Kingdom - that meets annually to discuss issues such as global economic governance, international security, and energy policy.

Gilts: gilts are bonds issued by the UK Government to borrow money on the financial markets. Interest paid by the Government on gilts is called a coupon and is at a rate that is fixed for the duration until maturity of the gilt, (unless a gilt is index linked to inflation); while the coupon rate is fixed, the yields will change inversely to the price of gilts i.e., a rise in the price of a gilt will mean that its yield will fall.

HRA: housing revenue account.

MPC: the Monetary Policy Committee is a committee of the Bank of England, which meets for one and a half days, eight times a year, to determine monetary policy by setting the official interest rate in the United Kingdom, (the Bank of England Base Rate, commonly called Bank Rate), and by making decisions on quantitative easing/tightening.

MRP: minimum revenue provision - a statutory annual minimum revenue charge to reduce the total outstanding CFR, (the total indebtedness of a local authority).

PFI: Private Finance Initiative – capital expenditure financed by the private sector i.e., not by direct borrowing by a local authority.

PWLB: Public Works Loan Board – this is the part of H.M. Treasury which provides loans to local authorities to finance capital expenditure.

RPI: the Retail Price Index is a measure of inflation that measures the change in the cost of a representative sample of retail goods and services. It was the UK standard for measurement of inflation until the UK changed to using the EU standard measure of inflation – Consumer Price Index. The main differences between RPI and CPI is in the way that housing costs are treated and that the former is an arithmetical mean whereas the latter is a geometric mean. RPI is often higher than CPI for these reasons.

SONIA: the Sterling Overnight Index Average. Generally, a set of indices for those benchmarking their investments. The benchmarking options include using a forward-looking (term) set of reference rates and/or a backward-looking set of reference rates that reflect the investment yield curve at the time an investment decision was taken.

TMSS: the annual treasury management strategy statement reports that all local authorities are required to submit for approval by the Full Council before the start of each financial year.