Slough Borough Council

Information needed	Details
Report To:	Audit and Corporate Governance Committee
Date:	22 July 2026
Subject:	Annual Treasury Management Report 2025/26
Chief Officer:	Ian O'Donnell, Chief Operating Officer (S151 Officer)
Contact Officer(s):	Aidar Ismailov, SFM Treasury and Capital
Ward(s):	N/A
Exempt:	No
Appendices:	Appendix 1 - Annual Treasury Management Report 2025/26

1. Summary and Recommendations

1.1 Members are responsible for reviewing and scrutinising the Council's treasury management policy and activities. This report summarises the Council's treasury management activity and performance for the year ended 31 March 2026, focusing on financing, liquidity, cash management and risk management.

1.2 The report also reflects on performance against the Council's treasury and investment strategies, along with prudential indicators, and compliance with the limits set for 2025/26.

1.3 The Council has delegated responsibility for monitoring and scrutinising treasury management activity to the Audit and Corporate Governance Committee.

1.4 The Committee is asked to note the Council's treasury management activity and performance for 2025/26, that the activity was undertaken in accordance with the approved Treasury Management Strategy and Prudential Indicators, and recommend the Annual Treasury Management Report 2025/26 to Full Council for approval.

Recommendations:

A) The Committee is asked to recommend to Full Council that it approve the Annual Treasury Management Report 2025/26, as set out in Appendix 1.

Reasons:

The Committee has delegated responsibility for overseeing treasury management activity and performance. This review enables Members to confirm that the Council is managing borrowing, investments and cash flow prudently, in line with the approved strategies, and to identify any matters that should be amended or escalated before the report is submitted to Full Council for approval.

Commissioner Review

Effective Treasury Management is an important part of the Council's financial recovery and debt reduction strategy. Robust management of the treasury management debt and investment position is critical to ensure adequate liquidity for revenue and capital activities, security for investments, managing risks within all treasury management activities and providing an indication of the trajectory of the Councils long term borrowing need.

This report is a backward-looking review that provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the Treasury Management Strategy and Mid-Year reports, with any deviations fully explained. The commissioners note the upward trajectory of external borrowing and that procedures and controls should be well established both through member reporting, and through officer activity to ensure that external debt or investments have not been entered into without the appropriate approval. Members scrutinising this report should consider whether any further simplification of key elements and or training would be beneficial.

2. Report

Introduction

2.1 The Council's treasury management activity is underpinned by CIPFA's (Chartered Institute of Public Finance and Accountancy) Code of Practice on Treasury Management ("the Code"), and the CIPFA Prudential Code for Capital Finance in Local Authorities ("the Prudential Code"). These regulations require local authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement for the financing and investment activities.

2.2 The Code also requires that the treasury management strategy and policies are effective, monitored and scrutinised. The Council has delegated responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Corporate Management Committee and the responsibility for scrutinising the treasury management activity to the Audit and Corporate Governance Committee

2.3 The Council's Treasury Management Strategy for 2025/26 was approved by Full Council on 6 March 2025. Regulations issued under the Local Government Act 2003 require the Council to produce an annual treasury management report on its activities and performance against the prudential and treasury indicators set out in the annual strategy. Members have also received regular updates on treasury management activity during the year.

2.4 The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as:

"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

2.5 Accordingly, this report seeks to facilitate a better understanding of the implementation of the Council's financial strategies and highlight the progress of its financial recovery from treasury perspective.

Key Parameters

2.6 The detailed report is set out in Appendix 1, however, here are some of its key outlines:

2.7 The 2025/26 financial year was characterised by significant economic and geopolitical uncertainty. The main challenges were the disruption caused by the US trade tariffs introduced in April 2025 and the outbreak of the US/Israel-Iran conflict in February 2026. These events increased volatility across financial markets, pushed up oil and commodity prices, and created uncertainty around inflation and economic growth.

2.8 Economic growth remained weak, with UK GDP growth largely stagnant and labour market conditions softening. At the same time, interest rate expectations changed significantly. The Bank of England reduced Bank Rate from 4.50% to 3.75% during the year, but expectations for further cuts were reversed following the outbreak of the Middle Eastern conflict. Gilt yields and borrowing costs remained elevated and volatile.

2.9 The Council continued to maintain an under-borrowed position, meaning that it used internal cash balances and reserves to support capital expenditure rather than fully funding its Capital Financing Requirement (CFR) through external borrowing. This reduced exposure to high borrowing costs while preserving flexibility.

2.10 Total external borrowing increased year on year from £458.5m to £469.8m. During the year, the Council repaid £98.7m of maturing PWLB loans and refinanced them with £110m of new 10-year EIP PWLB loans. The Council's average borrowing cost at the end of the year was at 3.65%. The increase in borrowing is due to cashflow requirements caused by overspends in year on the General Fund and the Dedicated Schools Grant but was within the approved borrowing limit.

2.11 On the cash management side, the Council prioritised security and liquidity over yield, investing mainly through low-risk Money Market Funds. Average investment balances were at ~£29.9m, and investments delivered a return of ~4.14%, comparing favourably against the average SONIA benchmark rate of approximately 4.01%.

2.12 Some of the key Prudential and Treasury indicators are summarised below:

Prudential and Treasury Indicators	31.03.2026 Budget £'m	31.03.2026 Actual £'m
Capital Expenditure	69.6	53.9
Capital Financing Requirement	646.7	684.7
Authorised limit for external debt	683.9	506.9
Operational boundary for external debt	473.8	506.9
Gross external debt*	463.8	506.9

Investments	10.0	19.3
Net borrowing/Indebtedness**	426.7	450.5

**Note1: Gross External Debt includes PFI and Lease liabilities*
***Note2: Net borrowing is the net of Borrowings (excluding PFI and Leases) and Investments*

Borrowing Summary	31.03.2026 Budget £'m	31.03.2026 Actual £'m
Capital Financing Requirement, GF	482.1	520.1
Capital Financing Requirement, HRA	164.6	164.6
Less: Other debt liabilities***		(37.1)
Less: External borrowing		(469.8)
Internal/Under borrowing		177.8

****Note3: Leases, PFI liabilities and transferred debt form part of the Authority's total debt*

2.13 The difference between the total external borrowing of £469.8m shown in paragraph 2.10 and the gross external debt of £506.9m is £37.1m of PFI and lease liabilities.

2.14 The challenging economic and political environment continued throughout 2025/26. The Council's treasury management priorities remained the security and liquidity of its investments, while continuing to manage financing risk, counterparty credit risk and interest rate risk exposures within the approved risk parameters.

2.15 All treasury management operations have been conducted in compliance with the Council's Treasury Management Strategy Statement and Treasury Management Practices.

3. Implications of the Recommendation

2.16 Financial implications

2.16.1 This report is for noting and for consideration going forward as part of effective governance of the Treasury Management of the Council. Treasury activities are aligned with the approved Treasury Management Strategy and support the Council's financial recovery through prudent debt management and asset disposals. The Council operates under the Local Government Act 2003 and associated regulations, with a duty to ensure borrowing is affordable, prudent, and sustainable and investments are made using SLY principles (Security, Liquidity and Yield in that order) in accordance with the adopted risk appetite.

2.16.2 Treasury decisions are made in accordance with the approved Treasury Management Strategy and the Treasury Managements Practices. Any exceptions or deviation must be approved by Full Council.

2.17 Legal implications

2.17.1 The powers for a local authority to borrow and invest are governed by the Local Government Act 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. The Regulations also specify that authorities should have regard to the CIPFA Treasury Management Code, the Government Investments Guidance and the CIPFA Prudential Code for Capital Finance in Local Authorities when carrying out their treasury management functions.

2.17.2 The Council's Constitution states the following:

Full Council will receive reports on its treasury and investment management policies, practices and activities, including, as a minimum, approving an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close in the form prescribed in its TMPs and IMPs.

The Council nominates the Audit and Corporate Governance Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies. This committee will receive the draft annual strategy and plan in advance of approval by Full Council and receive the mid-year review and outturn report for review before submission to Full Council.

2.18 Risk management implications

2.18.1 Best practice guidance, together with lessons learned from failures elsewhere in local government, has demonstrated that inadequate scrutiny, review and monitoring of treasury management activities can expose councils to significant financial and operational risks. It is therefore essential that the Council continues to adhere to the governance, risk management and assurance frameworks set out by CIPFA and the Ministry of Housing, Communities and Local Government (MHCLG). This report supports Members in understanding, scrutinising and challenging the Council's treasury management activities and performance during 2025/26, thereby contributing to effective oversight and informed decision-making.

2.19 Environmental and Equality implications

2.19.1 Ethical or sustainable investing is becoming a more commonplace discussion within the wider investment community. There are currently a small, but growing number of financial institutions and fund managers promoting Environmental, Social and Governance (ESG) products however the types of products we can invest in are constrained to those set out in our Investment Strategy which is driven by investment guidance, both statutory and from CIPFA, making it clear that all investing must adopt SLY principles – security, liquidity and yield: ethical issues must play a subordinate role to those priorities.

2.19.2 The Council does not invest directly in any companies – other than our own - and our investments are primarily limited to investments with the banking sector and other authorities (term deposits etc) and investments in property (our investment properties).

2.19.3 No Equality implications were noted to arise from this report.

4. Background Papers

None