

COMMITTEE:	Audit and Governance Committee
MEETING DATE:	16 June 2026
BY:	Depute Chief Executive – Resources and Economy
REPORT TITLE:	Annual Treasury Management Review 2025-26
REPORT STATUS:	Public

1 PURPOSE OF REPORT

An update to the Committee on Treasury Management activity during the financial year 2025-26.

2 RECOMMENDATIONS

Members are recommended to:

- 2.1 Note the content of the report.

3 BACKGROUND

- 3.1 The Council is required by regulations issued under the Local Government Scotland Act 2003 to produce an Annual Treasury Management Review, in accordance with the CIPFA Treasury Management Code of Practice and Prudential Code.
- 3.2 The review set out in **Appendix 1** updates members on the Treasury Management activity during 2025-26 and reports performance against the indicators set out in the Treasury Management Strategy approved by Council in February 2025. The figures contained within the report are based on the draft unaudited accounts and therefore remain subject to change during the course of the audit. Members will be kept informed should there be any significant change arising during this period.

4 POLICY IMPLICATIONS

- 4.1 There are no direct policy implications associated with this report; however the Council's treasury management activity is determined by the policy framework set out in the approved Treasury Management Strategy.

5 RESOURCE AND OTHER IMPLICATIONS

- 5.1 Finance: There are no direct financial implications associated with this report however the Council's Treasury Management and Capital activity clearly has a significant impact on the management of the Council's financial resources
- 5.2 Human Resources: None
- 5.3 Other (e.g. Legal/IT): None
- 5.4 Risk: None

6 INTEGRATED IMPACT ASSESSMENT

- 6.1 **Select the statement that is appropriate to your report by placing an 'X' in the relevant box.**

An Integrated Impact Assessment screening process has been undertaken, and the subject of this report does not affect the wellbeing of the community or have a significant impact on: equality and human rights; tackling socio-economic disadvantages and poverty; climate change, the environment and sustainability; the Council's role as a corporate parent; or the storage/collection of personal data.

or

The subject of this report has been through the Integrated Impact Assessment process and impacts have been identified as follows:

Subject	Impacts identified (Yes, No or N/A)
Equality and human rights	
Socio-economic disadvantage/poverty	
Climate change, the environment and sustainability	

Subject	Impacts identified (Yes, No or N/A)
Corporate parenting and care-experienced young people	
Storage/collection of personal data	
Other	

[Enter information on impacts that have been identified]

The Integrated Impact Assessment relating to this report has been published and can be accessed via the Council's website:

https://www.eastlothian.gov.uk/info/210602/equality_and_diversity/12014/integrated_impact_assessments

7 APPENDICES

7.1 ELC Annual Treasury Report 2025-26 – Appendix 1

8 BACKGROUND PAPERS

8.1 Treasury Management Strategy 2024-25 to 2027-28 – East Lothian Council 20 February 2024

8.2 Treasury Management Mid-Year Review 2025-26 – Audit & Governance 25 November 2025

9 AUTHOR AND APPROVAL DETAILS

Report Author(s)

AUTHOR'S NAME	Ellie Dunnet Ann-Marie Glancy Michelle Ritchie Karen Duff
DESIGNATION	Head of Finance Service Manager – Corporate Accounting Principal Accountant – Capital, Treasury and Banking Treasury and Banking Officer

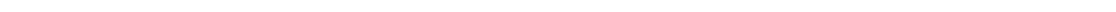
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DATE	08 June 2026

Head of Service Approval

Name	Ellie Dunnet
Designation	Head of Finance
Confirmation that IIA and other relevant checks (e.g. finance/legal) have been completed	
Approval Date	08 June 2026



Annual Treasury Management Review 2025-26



Annual Treasury Management Review 2025-26

1. Introduction

This Council is required by regulations issued under the Local Government in Scotland 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). The review is based on figures contained within the draft unaudited accounts and should any significant and material changes arise during the course of the audit, updated information will be made available and communicated to members.

The minimum Treasury Management reporting requirements are that members of the Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 18 February 2025)
- a report on performance against all forward-looking indicators at least quarterly as part of the authority's integrated revenue and capital monitoring
- a mid-year (minimum) treasury update report (Audit and Governance 25 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.

The 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 and Governance Committee with the annual strategy approved by Council.

2. 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.), with expenditure in excess of these resources giving 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. The results from 2025-26 are shown for illustrative purposes.

	2024/25 Actual £'000	2025/26 Budget £'000	2025/26 Outturn £'000
General Services			
Capital expenditure	91,921	57,517	55,198
Financed in year	(56,206)	(9,859)	(28,404)
Net Borrowing Need for the Year	35,715	47,658	26,794
HRA			
Capital expenditure	32,471	43,820	35,172
Financed in year	(5,913)	(9,636)	(8,997)
Net Borrowing Need for the Year	26,558	34,184	26,175
Total Net Borrowing Need for the Year	62,273	81,842	52,969

3. The Council's Overall Borrowing Need

The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR).

Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and deemed 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 but allows the Council some flexibility to borrow in advance of its immediate capital needs if required.

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 Budget £'000	31 March 2026 Outturn £'000
General Services			
CFR	342,283	390,824	355,687
Gross borrowing position	304,528	354,358	324,781
(Under) / over funding of CFR	(37,755)	(36,465)	(30,906)
HRA			
CFR	286,473	312,242	306,267
Gross borrowing position	254,874	283,108	279,655
(Under) / over funding of CFR	(31,599)	(29,133)	(26,612)

The use of fiscal flexibility for PPP assets has created a difference between the external borrowing position and the CFR (previously these were equal). An under-borrowing has been created and will change annually. The PPP CFR reflects the new profile for repayment. The under-borrowing is created when comparing this to the balance outstanding on the PPP contract. The CFR has also increased due to the inclusion of Right of Use Assets as required by IFRS 16.

	31-Mar-25 Actual £'000	31-Mar-26 Budget £'000	31-Mar-26 Actual £'000
PPP/Leases /Right of Use Assets			
CFR	54,102	51,326	54,828
Outstanding Debt	37,798	33,828	37,099
(Under) / over funding of CFR	(16,304)	(17,498)	(17,729)

4. Treasury Position as at 31 March 2026

At the beginning and the end of 2025-26 the Council's treasury position (excluding borrowing by PPP ,finance leases and Right of Use Assets), was as follows:

£'000	31 March 2025 Principal	Rate/ Return	Average Life yrs	31 March 2026 Principal	Rate/ Return	Average Life yrs
CFR	628,756			661,955		
Over / (under) borrowing	(69,353)			(57,519)		
Total debt	559,402	3.18%	22	604,436	3.36%	19
Total investments	25,506	2.78%	5	44,089	3.25%	3
Net debt	533,896			560,347		

- **The authorised limit** - the Council has kept within its authorised external borrowing limit as shown in the table below.
- **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. This indicator is set at the start of the financial year and is as per the Treasury Strategy.

	2024-25 Actual £m	2025-26 Budget £m	2025-26 Actual £m
Authorised limit	708	741	718
External Debt	559	637	604
Operational Boundary	645	720	680

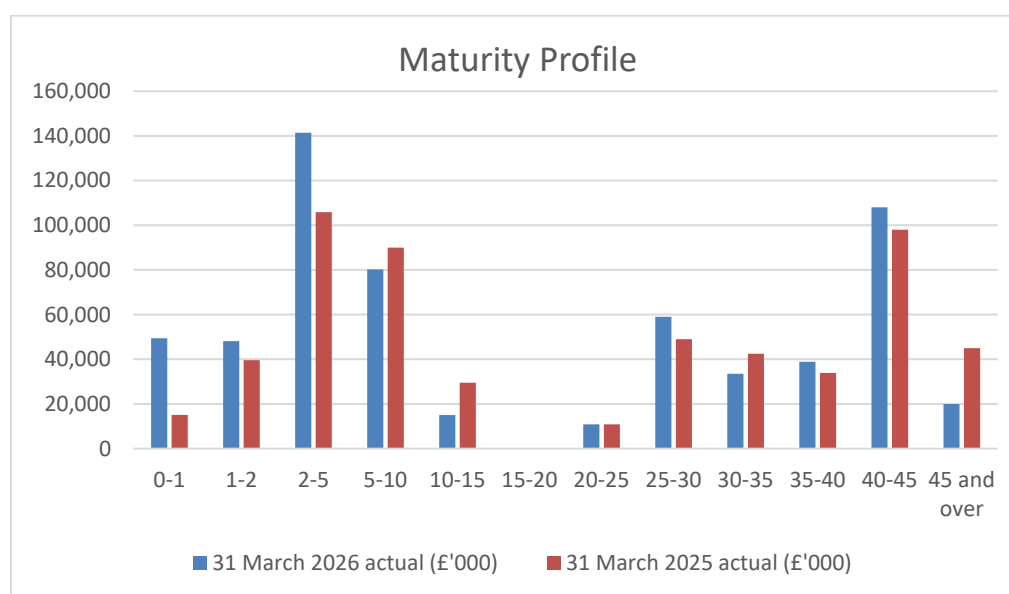
As at 31 March 2026 the average interest rate for all external debt was 3.36% (3.18% as at 31 March 2025). The average life across all loans is 19 years (22 years as at 31 March 2025). The changes in interest are due to the increasing interest rate environment and the decrease in average life is the positioning of the portfolio to match the forecast of when the interest rates should start to fall.

The maturity structure and profile of the debt portfolio is set out in the tables below:

	31-Mar-25 Actual £m	(Paid) or New Loan* 2025-26 £m	31-Mar-26 Actual £m	Net movement** 2025-26 £m
Under 12 months	15.11	-15.11	49.41	34.29
12 months and within 24 months	39.63	8.93	48.12	8.49
24 months and within 5 years	105.90	47.78	141.38	35.48
5 years and within 10 years	89.96	12.43	80.23	-9.74
10 years and within 15 years	29.51	0	15.00	-14.51
15 years and within 20 years	0.00		0.00	0.00
20 years and within 25 years	10.90		10.90	0.00
25 years and within 30 years	49.00		59.00	10.00
30 years and within 35 years	42.50	-4	33.50	-9.00
35 years and within 40 years	33.90		38.90	5.00
40 years and within 45 years	98.00	-5	108.00	10.00
45 years and over	45.00		20.00	-25.00
Total	559.41	45.03	604.44	45.03

* More detail on this is set out in Section 6 below

** Net movement shows the change between the maturity bands for existing loans



5. The strategy for 2025-26

5.1 Investment strategy and control of interest rate risk

The Council's approved investment strategy prioritises security, liquidity and then return. The Council adopts a prudent approach to managing risk and followed the approved 2025-26 Strategy where investments were only considered where the type of investment and exposure to risk was low or very low. Limits were set for fixed and variable interest rate exposure which were not exceeded during the year.

Investment returns decreased in 2025-26 as the Bank of England responded to a reduction in inflationary pressures, meaning that ongoing tighter monetary policy was not required. However, global factors have now made the market more volatile with an increased risk that the Bank will have to raise interest rates.

5.2 Borrowing strategy and control of interest rate risk

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 Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as although near-term investment rates were equal to, and sometimes higher than, long-term borrowing costs, the latter were expected to fall back through 2025 and 2026 in the light of economic growth concerns and the eventual dampening of inflation. The Council has sought to minimise the taking on of long-term borrowing at elevated levels (>5%) and has focused on a policy of internal, short-dated borrowing (<5 years) and longer borrowing where Equal Instalments of Principal or Annuity payments are made as appropriate.

The policy of avoiding new borrowing where possible by close monitoring of cash balances is kept under continual review to avoid incurring higher borrowing costs in the future when the Council may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

Interest rate forecasts initially suggested gradual reductions in short, medium and longer-term fixed borrowing rates during 2025/26. Bank Rate did fall to 3.75% as anticipated, but the initial expectation of significant rate reductions did not transpire, primarily because inflation concerns remained elevated and global concerns continued to have an impact on market confidence.

Bank Rate reduced steadily through the course of the financial year (three 0.25% rate cuts in May, August and December) bringing the headline rate down from 4.50% to 3.75%. Borrowing became more expensive in 2025/26 as gilt yields have risen materially in March 2026, more than reversing the falls earlier in the financial year. The combination of 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%.

Forecasts from our Treasury advisors at the end of March 2026 suggest interest rates will remain constant for 206/27 and start to gradually reduce over the following year before

settling at 3.25%. This remains a very challenging position, and the forecast and planning of borrowing will remain under review during 2026/27 and beyond.

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

PWLB rates are based on gilts (UK Government bonds) yields through H.M.Treasury who determine a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, the ongoing impact of the Ukraine war, the conflict in the Middle East, inflationary pressures (especially energy and food) and labour market factors.

The margins over gilt yields are:

- **PWLB Standard Rate** - gilt plus 100 basis points
- **PWLB Certainty Rate** - gilt plus 80 basis points
- **PWLB HRA Standard Rate** - gilt plus 100 basis points
- **PWLB HRA Certainty Rate** - gilt plus 80 basis points
- **Local Infrastructure Rate** - gilt plus 60 basis points

There is likely to be a fall in gilt yields and PWLB rates across the whole curve over the next one to two years as Bank Rate falls and inflation (on the Consumer Price Index (CPI) measure) moves lower.

High/Low/Average PWLB Rates during 2025-26 over indicative borrowing terms:

	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%

5. Borrowing Activity during 2025-26

Borrowing – the following loans were taken during the year:-

Lender	Principal £m	Type	Interest Rate	Maturity	Date
PWLB	10	Maturity	4.53%	2 Years	03/04/2025
PWLB	5	EIP	4.09%	3 Years	28/11/2025
PWLB	11	EIP	4.16%	5 Years	19/12/2025
PWLB	9	Maturity	4.54%	2.5 Years	19/12/2025
PWLB	10	EIP	4.43%	4.5 Years	20/02/2025
PWLB	25	Annuity	4.72%	6 Years	17/03/2026

Total	70				
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As PWLB rates have remained at an elevated level during 2025-26 the Council has, in conjunction with our Treasury advisors decided to undertake borrowing at shorter durations than in recent preceding years as well as repaying principle in instalments over the period of the loan. This is to lessen interest costs in future as per Section 5.2 above, as interest rates are expected to reduce in the coming years.

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.

Rescheduling

No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

Repayments

The following loans were repaid in full during the year:-

Lender	Principal £m	Type	Interest Rate	Maturity	Date
PWLB	0.529	Maturity	7.875%	30 years	21/12/2025
Barclays	5.00	Maturity	4.250%	60 years	25/07/2025
Dexia	4.00	Lenders Option/Borrowers Option	4.10%	49 years	30/09/2025
Total	7.64				

Instalments of £15.437 million were also paid on 13 loans which are payable as an Annuity or EIP (equal instalments of principal) basis rather than on maturity.

The early repayment of the Barclays loan gave a £1.1m discount. Dexia was repaid early due to the Lenders Option being exercised with an unfavourable rate.

6. Investment Activity for 2025-26

Investment Policy

The Council's investment policy is governed by Scottish Government investment regulations which have been implemented in the annual investment strategy approved by the Council on 18 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.).

The investment activity during the year conformed to the approved strategy as set.

Investments held by the Council

During 2025-26 and in accordance with the approved strategy, 136 short term investments were made and repaid, yielding interest of £0.688m. Any other surplus cash balances were held in the Council's bank account, which is an interest bearing account.

Investment with	Principal £m	Interest Rate	Investment Date	Term (Days)	Interest	Date Repayable/ Repaid
DMO/DMADF	8.00	4.450%	01/04/2025	2	1,950.68	03/04/2025
DMO/DMADF	6.00	4.450%	02/04/2025	5	3,657.53	07/04/2025
DMO/DMADF	6.00	4.450%	03/04/2025	7	5,120.55	10/04/2025
DMO/DMADF	4.00	4.450%	03/04/2025	4	1,950.68	07/04/2025
DMO/DMADF	5.00	4.445%	07/04/2025	4	2,435.62	11/04/2025
DMO/DMADF	5.00	4.440%	07/04/2025	7	4,257.53	14/04/2025
DMO/DMADF	5.00	4.440%	07/04/2025	10	6,082.19	17/04/2025
DMO/DMADF	6.00	4.445%	09/04/2025	2	1,461.37	11/04/2025
DMO/DMADF	6.00	4.440%	10/04/2025	7	5,109.04	17/04/2025
DMO/DMADF	3.00	4.435%	15/04/2025	17	6,196.85	02/05/2025
DMO/DMADF	6.00	4.450%	16/04/2025	1	731.51	17/04/2025
DMO/DMADF	6.00	4.450%	17/04/2025	7	5,120.55	24/04/2025
DMO/DMADF	4.00	4.450%	17/04/2025	12	5,852.05	29/04/2025
DMO/DMADF	7.00	4.450%	24/04/2025	8	6,827.40	02/05/2025
DMO/DMADF	4.00	4.450%	29/04/2025	1	487.67	30/04/2025
DMO	10.00	4.450%	01/05/2025	7	8,534.25	08/05/2025
DMO	5.00	4.385%	06/05/2025	3	1,802.05	09/05/2025
DMO	10.00	4.200%	09/05/2025	6	6,904.11	15/05/2025
DMO	5.00	4.200%	08/05/2025	8	4,602.74	16/05/2025
DMO	6.00	4.200%	15/05/2025	8	5,523.29	23/05/2025
DMO	2.00	4.200%	22/05/2025	15	3,452.05	06/06/2025
DMO	10.00	4.200%	28/05/2025	2	2,301.37	30/05/2025
DMO	5.00	4.210%	30/05/2025	13	7,497.26	12/06/2025
DMO	3.00	4.205%	02/06/2025	4	1,382.47	06/06/2025
DMO	3.00	4.205%	05/06/2025	4	1,382.47	09/06/2025
DMO	5.00	4.200%	11/06/2025	5	2,876.71	16/06/2025
DMO	3.00	4.200%	12/06/2025	1	345.21	13/06/2025
DMO	8.00	4.200%	16/06/2025	3	2,761.64	19/06/2025
DMO	3.50	4.200%	18/06/2025	1	402.74	19/06/2025
DMO	2.50	4.200%	19/06/2025	1	287.67	20/06/2025
DMO	2.50	4.200%	20/06/2025	7	2,018.49	27/06/2025
DMO	3.50	4.200%	24/06/2025	3	1,209.66	27/06/2025

DMO	9.00	4.205%	25/06/2025	5	5,184.25	30/06/2025
DMO	4.00	4.200%	01/07/2025	2	920.55	03/07/2025
DMO/DMADF	4.00	4.200%	03/07/2025	1	460.27	04/07/2025
DMO/DMADF	6.00	4.205%	02/07/2025	5	3,456.16	07/07/2025
DMO	10.00	4.210%	01/07/2025	9	10,380.82	10/07/2025
DMO/DMADF	8.00	4.210%	08/07/2025	10	9,227.40	18/07/2025
DMO/DMADF	10.00	4.210%	10/07/2025	14	16,147.95	24/07/2025
DMO/DMADF	3.00	4.205%	16/07/2025	5	1,728.08	21/07/2025
DMO/DMADF	5.00	4.210%	09/07/2025	21	12,110.96	30/07/2025
DMO/DMADF	7.00	4.210%	23/07/2025	7	5,651.78	30/07/2025
DMO/DMADF	6.00	4.210%	24/07/2025	8	5,536.44	01/08/2025
DMO/DMADF	8.00	4.210%	30/07/2025	7	6,459.18	06/08/2025
DMO/DMADF	4.00	4.200%	01/08/2025	7	3,221.92	08/08/2025
DMO/DMADF	5.00	4.070%	05/08/2025	7	3,902.74	12/08/2025
DMO/DMADF	8.00	3.970%	06/08/2025	7	6,090.96	13/08/2025
Central Bedfordshire	5.00	4.200%	14/05/2025	92	52,931.51	14/08/2025
DMO/DMADF	3.00	3.950%	07/08/2025	7	2,272.60	14/08/2025
Standard Chartered - Sustainable Deposit	5.00	4.290%	15/04/2025	91	53,478.08	15/07/2025
DMO/DMADF	5.00	3.950%	12/08/2025	7	3,787.67	19/08/2025
DMO/DMADF	5.00	3.950%	13/08/2025	9	4,869.86	22/08/2025
DMO/DMADF	5.00	3.950%	20/08/2025	6	3,246.58	26/08/2025
DMO/DMADF	6.00	3.950%	13/08/2025	15	9,739.73	28/08/2025
DMO/DMADF	4.00	3.950%	29/08/2025	6	2,597.26	04/09/2025
Standard Chartered - Sustainable Deposit	5.00	4.070%	15/04/2025	122	17,283.56	15/08/2025
Standard Chartered - Sustainable Deposit	5.00	3.810%	15/08/2025	31	16,179.45	15/09/2025
Perth & Kinross	5.00	4.000%	14/08/2025	32	17,534.25	15/09/2025
DMO/DMADF	3.00	3.955%	14/08/2025	29	9,426.99	12/09/2025
DMO/DMADF	4.00	3.950%	27/08/2025	16	6,926.03	12/09/2025
DMO/DMADF	5.00	3.950%	21/08/2025	8	4,328.77	29/08/2025
DMO/DMADF	3.00	3.955%	26/08/2025	24	7,801.64	19/09/2025
DMO/DMADF	4.00	3.960%	05/09/2025	14	6,075.62	19/09/2025
DMO/DMADF	3.00	3.950%	17/09/2025	2	649.32	19/09/2025
DMO/DMADF	1.50	3.960%	01/09/2025	28	4,556.71	29/09/2025
DMO/DMADF	3.00	3.960%	03/09/2025	26	8,462.47	29/09/2025
DMO/DMADF	7.00	3.960%	16/09/2025	13	9,872.88	29/09/2025
DMO/DMADF	2.00	3.950%	19/09/2025	5	1,082.19	24/09/2025
DMO/DMADF	3.00	3.960%	10/09/2025	22	7,160.55	02/10/2025
DMO/DMADF	3.50	3.950%	01/10/2025	2	757.53	03/10/2025

DMO/DMADF	7.00	3.950%	08/10/2025	5	3,787.67	13/10/2025
DMO/DMADF	5.00	3.960%	16/09/2025	35	18,986.30	21/10/2025
DMO/DMADF	1.50	3.965%	30/09/2025	24	3,910.68	24/10/2025
DMO/DMADF	3.00	3.950%	21/10/2025	3	973.97	24/10/2025
DMO/DMADF	3.00	3.970%	25/09/2025	35	11,420.55	30/10/2025
DMO/DMADF	3.50	3.950%	27/10/2025	4	1,515.07	31/10/2025
DMO/DMADF	4.00	3.950%	28/10/2025	3	1,298.63	31/10/2025
DMO/DMADF	5.00	3.950%	29/10/2025	2	1,082.19	31/10/2025
DMO/DMADF	2.00	3.945%	30/10/2025	8	1,729.32	07/11/2025
DMO/DMADF	3.00	3.940%	05/11/2025	2	647.67	07/11/2025
DMO/DMADF	2.00	3.950%	12/11/2025	2	432.88	14/11/2025
DMO/DMADF	2.00	3.950%	11/11/2025	7	1,515.07	18/11/2025
DMO/DMADF	2.00	3.920%	30/10/2025	22	4,725.48	21/11/2025
DMO/DMADF	3.00	3.880%	04/11/2025	17	5,421.37	21/11/2025
DMO/DMADF	3.00	3.950%	26/11/2025	1	324.66	27/11/2025
DMO/DMADF	3.00	3.950%	01/12/2025	4	1,298.63	05/12/2025
DMO/DMADF	4.00	3.950%	03/12/2025	2	865.75	05/12/2025
DMO/DMADF	3.00	3.950%	05/12/2025	7	2,272.60	12/12/2025
DMO/DMADF	1.00	3.950%	08/12/2025	4	432.88	12/12/2025
DMO/DMADF	2.50	3.890%	15/12/2025	4	1,065.75	19/12/2025
DMO/DMADF	2.50	3.900%	16/12/2025	3	801.37	19/12/2025
DMO/DMADF	5.00	3.705%	19/12/2025	5	2,537.67	24/12/2025
DMO/DMADF	6.00	3.710%	24/12/2025	13	7,928.22	06/01/2026
DMO/DMADF	6.00	3.705%	06/01/2026	3	1,827.12	09/01/2026
DMO/DMADF	2.00	3.700%	07/01/2026	2	405.48	09/01/2026
DMO/DMADF	3.00	3.710%	06/01/2026	10	3,049.32	16/01/2026
DMO/DMADF	2.00	3.710%	09/01/2026	7	1,423.01	16/01/2026
DMO/DMADF	2.00	3.700%	14/01/2026	2	405.48	16/01/2026
DMO/DMADF	1.50	3.700%	15/01/2026	8	1,216.44	23/01/2026
DMO/DMADF	2.00	3.700%	19/01/2026	8	1,621.92	27/01/2026
DMO/DMADF	3.00	3.710%	06/01/2026	23	7,013.42	29/01/2026
DMO/DMADF	5.00	3.710%	09/01/2026	21	10,672.60	30/01/2026
DMO/DMADF	2.00	3.700%	16/01/2026	14	2,838.36	30/01/2026
DMO/DMADF	2.00	3.700%	29/01/2026	1	202.74	30/01/2026
DMO/DMADF	5.00	3.700%	06/01/2026	31	15,712.33	06/02/2026
DMO/DMADF	3.00	3.700%	02/02/2026	11	3,345.21	13/02/2026
DMO/DMADF	1.50	3.705%	09/02/2026	4	609.04	13/02/2026
DMO/DMADF	3.00	3.700%	11/02/2026	2	608.22	13/02/2026

DMO/DMADF	1.00	3.710%	13/02/2026	6	609.86	19/02/2026
DMO/DMADF	6.00	3.700%	05/02/2026	15	9,123.29	20/02/2026
DMO/DMADF	2.50	3.710%	17/02/2026	9	2,286.99	26/02/2026
DMO/DMADF	2.00	3.710%	18/02/2026	8	1,626.30	26/02/2026
DMO/DMADF	5.00	3.705%	23/02/2026	3	1,522.60	26/02/2026
DMO/DMADF	4.00	3.700%	25/02/2026	1	405.48	26/02/2026
DMO/DMADF	2.00	3.710%	23/02/2026	11	2,236.16	06/03/2026
DMO/DMADF	3.00	3.710%	24/02/2026	10	3,049.32	06/03/2026
DMO/DMADF	2.50	3.705%	02/03/2026	4	1,015.07	06/03/2026
DMO/DMADF	7.00	3.710%	27/02/2026	13	9,249.59	12/03/2026
DMO/DMADF	2.00	3.710%	06/03/2026	6	1,219.73	12/03/2026
DMO/DMADF	4.50	3.700%	11/03/2026	1	456.16	12/03/2026
DMO/DMADF	6.00	3.710%	06/03/2026	13	7,928.22	19/03/2026
DMO/DMADF	9.00	3.705%	17/03/2026	3	2,740.68	20/03/2026
DMO/DMADF	4.00	3.700%	18/03/2026	2	810.96	20/03/2026
DMO/DMADF	3.00	3.710%	18/03/2026	6	1,829.59	24/03/2026
DMO/DMADF	5.00	3.710%	17/03/2026	10	5,082.19	27/03/2026
DMO/DMADF	4.00	3.710%	19/03/2026	8	3,252.60	27/03/2026
DMO/DMADF	3.00	3.720%	20/03/2026	7	2,140.27	27/03/2026
DMO/DMADF	1.00	3.705%	24/03/2026	3	304.52	27/03/2026
DMO/DMADF	7.00	3.710%	12/03/2026	18	12,807.12	30/03/2026
DMO/DMADF	10.00	3.710%	17/03/2026	13	13,213.70	30/03/2026
DMO/DMADF	2.00	3.710%	16/03/2026	15	3,049.32	31/03/2026
DMO/DMADF	4.00	3.720%	20/03/2026	11	4,484.38	31/03/2026
DMO/DMADF	8.00	3.705%	27/03/2026	6	4,872.33	02/04/2026
DMO/DMADF	10.00	3.715%	30/03/2026	10	10,178.08	09/04/2026
DMO/DMADF	4.00	3.710%	30/03/2026	8	3,252.60	07/04/2026
DMO/DMADF	2.50	3.710%	31/03/2026	7	1,778.77	07/04/2026

Additionally, a call account at Lloyds was used to hold funds which yielded a further £237k in interest.

The Council also has the following loans to third parties which fall under the scope of the Council's approved Investment Strategy.

	Loan balance at 31 March 2025	Loan balance at 31 March 2026
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	£'000	£'000
East Lothian Housing Association	7,629	7,324

Under accounting standard IFRS9, an expected credit loss for all loans to third parties must be obtained and recognised in the Council's Income and Expenditure account within Surplus/Deficit on Provision of Services.

This was £0.031m for 2025-26 and was decreased to £0.029m for 2026-27 to reflect the risk profile of the debt in the current financial environment.

Investments held by Fund Managers

The Council uses Rathbones (previously known as Investec) as external fund managers to invest cash balances on behalf of the 4 Common Good Funds and the ELC Charitable Trusts. The performance of the managers against the benchmark return was:

	Investments held 31/03/2025	Investments held 31/03/2026	Return	Benchmark
Charitable Trusts	£3.844m	£4.204m	11.60%	10.40%
Common Good Funds	£3.891m	£4.263m	11.80%	12.30%
Total	£7.753m	£8.467m	£0.714m	

The Council's investment advisors have reported that the portfolio has performed well for 2025-26 with a return of 11.80% for the Common Good and 11.60% for the Charitable Trusts as global equity markets showed a fair amount of volatility. This was driven by continued geopolitical risks with a number of ongoing conflicts globally and the trade tariffs set in the USA. These are mitigated by having investments in companies with strong balance sheets.

Officers continue to engage with the Investment Advisers, and consider any necessary action aligned to the Treasury Investment Strategy should there be any significant change to fund projections. The need to ensure the on-going viability of the funds is essential to ensure the long-term benefits of these investments.

The return achieved was higher than the benchmark for the Charitable Trusts but lower for the Common Good Trusts.

Appendix 1: Prudential and treasury indicators

1. PRUDENTIAL INDICATORS	2024/25	2025/26	2025/26
	Actual	Budget	Outturn
	£'000	£'000	£'000
Capital Expenditure			
General Services	91,921	57,517	55,198
HRA	32,471	43,820	35,172
TOTAL	124,392	101,337	90,369
Ratio of financing costs to net revenue stream			
General Services	4.95%	7.30%	6.50%
HRA	33.63%	36.97%	29.00%
Gross borrowing requirement - General Services			
brought forward 1 April	313,376	356,643	342,283
carried forward 31 March	342,283	390,824	355,687
in year borrowing requirement	28,907	34,181	13,404
Gross borrowing requirement - HRA			
brought forward 1 April	265,745	284,350	286,473
carried forward 31 March	286,473	312,242	306,267
in year borrowing requirement	20,727	27,891	19,795
Gross Debt	£	£	£
CFR			
General Services	342,283	390,824	355,687
HRA	286,473	312,242	306,267
TOTAL	628,756	703,066	661,954
Annual Change in Capital Financing Requirement			
General Services	28,907	34,181	13,404
HRA	20,727	27,891	19,795
TOTAL	49,634	62,072	33,199
Annual Impact of Capital Investment Decisions			
General Services – Debt per Band D Equivalent	5,489	6,180	5,581
HRA – Debt per dwelling	30,427	32,781	32,245

2. TREASURY MANAGEMENT INDICATORS	2024/25	2025/26	2025/26
	Actual £'000	Budget £'000	Outturn £'000
Authorised Limit for External Debt -			
Borrowing	708,000	741,000	718,000
Other long term liabilities	38,000	34,000	38,000
Total	746,000	775,000	756,000
Operational Boundary for External Debt -			
Borrowing	645,060	720,562	679,685
Other long term liabilities	37,798	33,828	37,099
Total	682,858	754,390	716,784
Actual External Debt			
Borrowing	559,402	637,466	631,079
Other Long Term Liabilities	37,798	33,828	35,762
Total	597,201	671,294	666,841

3. LOANS FUND	31 March 2025 Actual £m	31 March 2026 Budget £m	31 March 2026 Outturn £m
General Services			
Opening balance	313,376	356,643	342,283
Add advances	35,715	47,658	26,794
Less repayments	(6,807)	(13,478)	(13,390)
Closing balance	342,284	390,824	355,687
HRA			
Opening balance	265,745	284,350	286,473
Add advances	26,558	34,184	26,175
Less repayments	(5,831)	(6,293)	(6,381)
Closing balance	286,473	312,242	306,267
Total			
Opening balance	579,121	640,993	628,756
Add advances	62,274	81,842	52,969
Less repayments	(12,638)	(19,770)	(19,770)
Closing balance	628,757	703,065	661,955

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.

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

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.

PPP: Private Public Partnership – 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.

CPI. 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.

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.
