Treasury Management Outturn Report 2025/2026

Comments of Overview & Scrutiny Panel (Performance & Growth)

1.1 The Overview & Scrutiny (Performance & Growth) Panel discussed the report at its meeting on 1st July 2026.

1.2 Councillor Martin welcomed the Council's approach of utilising internal borrowing rather than external borrowing. He sought clarification on whether there was a threshold, such as a particular level of interest rates or other financial considerations, at which the Council would review its position and consider switching from internal to external borrowing.

1.3 The Panel heard that if such a decision was made, it would not likely come from interest rates, rather by the use of the Council's internal borrowings.

1.4 Councillor Martin referred to IFI S9, noting that its duration had been extended to March 2029. He sought clarification on whether funds were currently being withdrawn from the associated shared investment pools and, if so, what impact this might have on the Council's financial position.

1.5 Officers confirmed that this matter had not yet been explored in detail. However, it was noted that there was an expectation that the March 2029 deadline would be extended further. Members were advised that, should it appear unlikely that a further extension would be granted, the Council would undertake a review of the position and consider the available options at that time.

1.6 Councillor Ascroft sought clarification on the specific mitigation measures in place to manage the financial risks associated with the Council's debt levels, particularly given that the outstanding debt exceeds the value of the Council's property assets. She also requested an update on the timescale and strategy for reducing vacancies within the Council's property portfolio, noting the impact that vacant units were having on interest coverage ratios. In addition, Councillor Ascroft asked how confident the relevant Executive Councillor was that the budgeted income target of £3.75 million for 2026/27 could be achieved.

1.7 The Panel was advised that it had previously been recognised that, from a financial and resource perspective, the Commercial Investment Strategy was the only area that could not readily be progressed further. The Portfolio Holder highlighted that the decision not to dispose of assets at this time had been a prudent one. While it was acknowledged that certain aspects of the Strategy's risk management and governance framework had not been as robust as intended, Members were informed that the Strategy nevertheless represented a valuable exercise in long-term financial planning.

The impact of the Covid-19 pandemic on commercial property values was also noted. The Panel heard that a number of properties within the Council's portfolio had performed strongly and generated significant income, while extensive work was continuing to address vacant units. Members were advised that, if assets were to be sold at the present time, the resulting capital receipts could only be used for capital purposes. It was reiterated that, although such receipts could be used to reduce borrowing, all but a small number of the Council's loans were currently costing less in interest than was being generated through investments. The Portfolio Holder emphasised that the Commercial Investment Strategy should be viewed as a long-term strategy.

1.8 In response to a question from Councillor Ioannides regarding the stress testing of the Council's property portfolio, the Panel was advised that commercial property values and performance do not typically fluctuate significantly unless affected by exceptional circumstances, such as the Covid-19 pandemic. It was further noted that undertaking stress testing in excessive detail could be counterproductive and may not provide meaningful additional insight into the portfolio's long-term performance.

1.9 Councillor Tomlinson sought clarification as to whether the £2.5 million figure referenced within the Commercial Investment Strategy included both loan interest costs and the business loan, and requested further detail on how this figure had been calculated.

1.10 The Panel expressed disappointment regarding the manner in which the Commercial Investment Strategy had originally been developed, particularly in relation to the acquisition of properties and the financial arrangements put in place at the time. Members were advised by the Portfolio Holder that it had not been possible to retrospectively restructure these arrangements. It was confirmed that aspects of the work had previously been undertaken by agency staff; however, responsibility had since been brought in-house, resulting in a reduction in associated costs.

1.11 Following the discussion, the Panel were informed that their comments would be added to the Cabinet report in order for an informed decision to be made on the report recommendations.