



Audit & Governance Committee

Report Subject	Treasury Management Monitoring update for Quarter 2 2025/26
Meeting date	16 October 2025
Status	Public
Executive summary	The report sets out the quarter two position for 2025/26 which forecasts an underspend of £0.3m due to the Council's ability to borrow in the local authority market at lower than budgeted interest rates.
Recommendations	It is recommended that Audit & Governance Committee: 1) note the reported activity of the Treasury Management function for April to September 2025.
Reasons for recommendations	It is a requirement under the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice that regular monitoring of the Treasury Management function is reported to Members. Council are required to approve any changes to the prudential indicators based on a recommendation from the Audit & Governance Committee.
Portfolio Holder	Councillor Mike Cox, Portfolio Holder for Finance
Corporate Director	Aidan Dunn, Chief Executive
Service Director	Adam Richens, Chief Financial Officer
Classification	For information and recommendation
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Background Detail

1. Treasury Management is defined as the management of the Council's cash flows, its borrowings and investments, the management of the associated risks and the pursuit of the optimum performance or return consistent with those risks.
2. The Treasury Management function operates in accordance with The Chartered Institute of Public Finance and Accountancy (CIPFA) 'Treasury Management in the Public Services' Code of Practice (2021).
3. The Treasury Management function manages the Council's cash flow by exercising effective cash management and ensuring that the bank balance is as close to nil as possible. The objective is to ensure that bank charges are kept to a minimum whilst maximising interest earned. A sound understanding of the Council's business and cash flow cycles enables funds to be managed efficiently.
4. This report considers the treasury management activities in relation to the Treasury Management Strategy. Also included is a summary of the current economic climate, an overview of the estimated performance of the treasury function, an update on the borrowing strategy, investments and compliance with prudential indicators.

Economic Background - MUFG Corporate Markets (Formerly Link Treasury Services)

5. On 6th August, the Bank of England's Monetary Policy Committee (MPC) voted 5-4 to reduce the Bank Rate 0.25% to 4%. A further vote on 17th September saw the committee hold this rate with a vote of 7-2 with two members voting for a further cut.
6. The voting patterns from August and September mean Bank rates are not expected to be cut again in 2025. The Monetary Policy Committee continue to suggest a gradual and careful rate cuts which are now expected to reach 3.5% during the middle of 2026.
7. CPI inflation has risen over the last quarter reaching 3.8% in August and is expected to remain around the 4% point for the remainder of 2025 before falling in 2026 towards the targeted 2%.
8. The main inflationary factor is the price of food, but overall business costs associated with higher wages and National insurance are also seen as a driving factor along with impacts of wider global events.
9. The Chancellors national budget due on 26th November 2025 is expected to address economic and fiscal pressures, with a target of delivering for working people.

Interest Rates

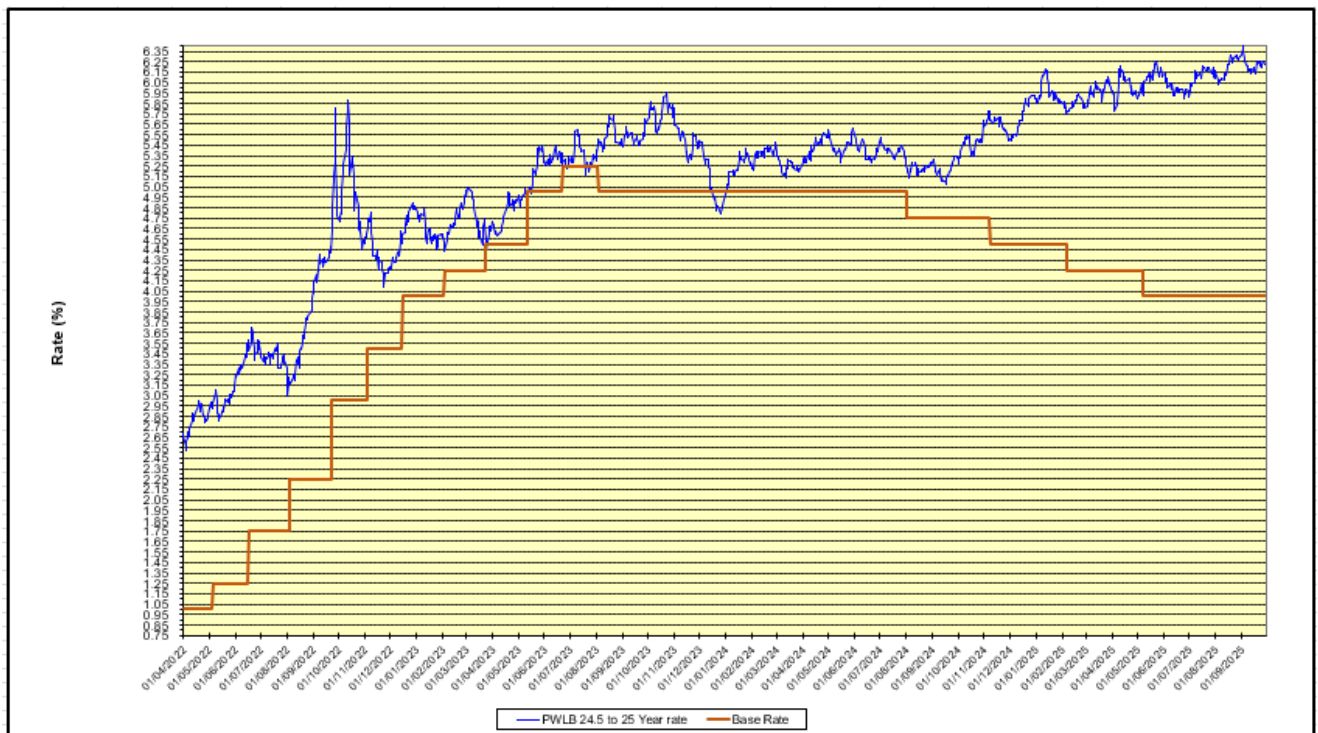
10. Table 1 below, produced by the authority's treasury consultants MUFG Corporate Markets, sets out their current projection of interest rates over the medium term.

Table 1: Interest rate projection (MUFG Corporate Markets)

Interest Rate Forecasts								
Bank Rate	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27
MUFG CM	4.00%	3.75%	3.75%	3.50%	3.50%	3.50%	3.50%	3.25%
Cap Econ	4.00%	3.75%	3.50%	3.25%	3.00%	3.00%	3.00%	3.00%
5Y PWLB RATE								
MUFG CM	4.70%	4.50%	4.40%	4.30%	4.30%	4.30%	4.20%	4.20%
Cap Econ	5.00%	4.80%	4.70%	4.60%	4.50%	4.50%	4.50%	4.60%
10Y PWLB RATE								
MUFG CM	5.20%	5.00%	4.90%	4.80%	4.80%	4.80%	4.70%	4.70%
Cap Econ	5.60%	5.40%	5.30%	5.20%	5.10%	5.10%	5.20%	5.30%
25Y PWLB RATE								
MUFG CM	5.90%	5.70%	5.70%	5.50%	5.50%	5.50%	5.40%	5.40%
Cap Econ	6.20%	6.00%	5.90%	5.70%	5.50%	5.60%	5.60%	5.70%
50Y PWLB RATE								
MUFG CM	5.60%	5.40%	5.40%	5.30%	5.30%	5.30%	5.20%	5.20%
Cap Econ	5.80%	5.60%	5.50%	5.30%	5.20%	5.20%	5.30%	5.40%

11. Table 2 below, demonstrates the historic trend of interest rates payable for PWLB loans of 25 years vs the Bank of England rate.

Table 2: PWLB Historical Rates Information (April 2022 to date)



Treasury Management Performance 2025/26

12. Table 3 below shows the overall treasury management position for 2025/26. The current forecast is an underspend of £300k on interest payable budgets. This is due to greater availability of funds within the local authority market than expected, this market provides lower rates compared to short term PWLB borrowing used to forecast borrowing costs.

Table 3: Treasury Management performance 2025/26

	Forecast 2025/26 £'000	Budget 2025/26 £'000	Variance 2025/26 £'000
<u>Expenditure</u>			
Interest Paid on Long Term Borrowings	2,920	2,920	0
Interest Paid on Short Term Borrowings	6,062	6,362	(300)
<u>Income</u>			
Investment Interest Received	(1,105)	(1,105)	0
Deductions from general fund	450	450	0
Total	8,327	8,627	(300)

Borrowing

13. Table 4 below shows the closing level of borrowing for the Council's two loans pool.

Table 4: Council Borrowings as at 30 September 2025

Initial Loan Value £'000	Interest Rate	Balance as at 30 Sept 2025 £'000	Maturity Date	General Fund Pool £'000	HRA Pool £'000	Source
Short Term Borrowing						
10,000	3.95%	10,000	22-Oct-2025	10,000	-	Lancashire County Council Pension Fund
5,000	4.15%	5,000	14-Nov-2025	5,000	-	Cherwell District Council
10,000	4.15%	10,000	21-Nov-2025	10,000	-	Southampton City Council
5,000	3.95%	5,000	15-Jan-2026	5,000	-	Torbay Borough Council
5,000	3.90%	5,000	23-Jan-2026	5,000	-	Liverpool City Region Combined Authority
10,000	4.00%	10,000	23-Jan-2026	10,000	-	London Borough of Croydon
4,000	3.95%	4,000	30-Jan-2026	4,000	-	Nottinghamshire Fire Authority
5,000	3.95%	5,000	30-Jan-2026	5,000	-	Royal Borough of Windsor & Maidenhead
5,000	3.95%	5,000	16-Mar-2026	5,000	-	Crawley Borough Council
5,000	4.10%	5,000	07-Apr-2026	5,000	-	Harborough District Council
15,000	4.12%	15,000	15-Apr-2026	15,000	-	West Yorkshire Combined Authority
5,000	4.15%	5,000	17-Apr-2026	5,000	-	Rugby Borough Council
3,000	4.10%	3,000	24-Apr-2026	3,000	-	Merseyside Fire & Rescue Authority
4,000	4.50%	4,000	05-May-2026	4,000	-	Arun District Council
5,000	4.10%	5,000	08-May-2026	5,000	-	London Borough of Islington
5,000	4.25%	5,000	22-May-2026	5,000	-	PCC for Hampshire
5,000	4.50%	5,000	26-May-2026	5,000	-	Milton Keynes Council
5,000	4.40%	5,000	29-May-2026	5,000	-	London Borough of Redbridge
111,000		111,000		111,000	-	

Initial Loan Value £'000	Interest Rate	Balance as at 30 Sept 2025 £'000	Maturity Date	General Fund Pool £'000	HRA Pool £'000	Source
Long Term Borrowing						
5,000	4.45%	5,000	24-Sep-2030	-	5,000	PWLB
5,000	4.45%	5,000	24-Nov-2031	-	5,000	PWLB
5,000	4.75%	5,000	24-Sep-2032	-	5,000	PWLB
5,000	4.45%	5,000	24-Nov-2032	-	5,000	PWLB
5,000	4.75%	5,000	24-Sep-2033	-	5,000	PWLB
5,000	4.60%	5,000	23-Feb-2035	-	5,000	PWLB
5,000	4.72%	5,000	22-Aug-2036	-	5,000	PWLB
5,000	2.80%	5,000	20-Jun-2041	5,000	-	PWLB
5,000	2.80%	5,000	20-Jun-2041	5,000	-	PWLB
10,000	1.83%	10,000	22-Jul-2046	10,000	-	PWLB
2,500	6.75%	2,500	06-Mar-2056	-	2,500	PWLB
1,500	6.75%	1,500	13-Mar-2057	-	1,500	PWLB
1,500	5.88%	1,500	07-Mar-2058	-	1,500	PWLB
42,488	3.48%	42,488	28-Mar-2062	-	42,488	PWLB
43,908	3.48%	43,908	28-Mar-2062	-	43,908	PWLB
17,000	1.54%	17,000	17-May-2068	17,000	-	PWLB
12,500	1.56%	12,500	16-Aug-2068	12,500	-	PWLB
12,500	1.55%	12,500	16-Aug-2069	12,500	-	PWLB
188,896		188,896		62,000	126,896	
22,625	2.26% + RPI Annually	13,498	17-Oct-2039	13,498	-	Prudential Assurance Co
49,000	2.83%	45,875	24-Nov-2054	45,875	-	Phoenix Life Limited
71,625		59,373		59,373	-	
Total Short term and Long Term Borrowing						
371,521		359,269		232,373	126,896	

Investments

14. A full list of investments held by the authority as at 30 September 2025 is shown in Table 5 below.

Table 5: Investment Summary as at 30 September 2025

Investments	Maturity Date	Principal Amount £	Interest %
<u>Fixed Term Deposits</u>			
Sub Total		0	
<u>Call Account</u>			
Aberdeen Standard Liquidity Fund		700,000	
LGIM Sterling Liquidity Fund		9,400,000	
Total		10,100,000	

15. The Treasury Management function has achieved returns of 4.26% for the period 1 April 2025 to 30 September 2025 for its combined investment, in line with the SONIA overnight rate of 4.20%.

Prudential Indicators

16. The Treasury Management Prudential Code Indicators were set as part of the 2025/26 Treasury Management Strategy. It can be confirmed that all indicators have been complied with during all of 2025/26 and the period 1 April 2025 to 30 September 2025.
17. Reporting to members is to be done quarterly. Specifically, the Chief Finance Officer (CFO) is required to establish procedures to monitor and report performance against all forward-looking prudential indicators at least quarterly. The CFO is expected to establish a measurement and reporting process that highlights significant actual or forecast deviations from the approved indicators. However, monitoring of prudential indicators, including forecast debt and investments, is not required to be taken to Full Council and should be reported as part of the authority's integrated revenue, capital and balance sheet monitoring.
18. In conjunction with the chair of Audit & Governance Committee we will look to carry out a training session to all members.

Compliance with Policy

19. The Treasury Management activities of the Council are regularly audited both internally and externally to ensure compliance with the Council's Financial Regulations. The recent internal audit in March 2025 rated the Treasury Management function as "Reasonable" assurance which means that there is a sound control framework which is designed to achieve the service objectives, with key controls being consistently applied.
20. The Treasury Management Strategy requires that surplus funds are placed with major financial institutions but that no more than 25% (AA- Rated Institutions) or 20% (A to A- Rated) of the investment holding is placed with any one major financial institution at the time the investment takes place. It can be confirmed that the Treasury Management Strategy has been complied with during all of 2025/26 and the period 1 April 2025 to 30 September 2025.

Summary of Financial/Resource Implications

21. Financial implications are as outlined within the report.

Summary of Legal Implications

22. There are no known legal implications.

Summary of Equalities and Diversity Impact

23. The Treasury Management activity does not directly impact on any of the services provided by the Council or how those services are structured. The success of the

function will have an impact on the extent to which sufficient financial resources are available to fund services to all members of the community.

Summary of Risk Assessment

24. The Treasury Management Policy seeks to consider and minimise various risks encountered when investing surplus cash through the money markets. The aim in accordance with the CIPFA Code of Practice for Treasury Management is to place a greater emphasis on the security and liquidity of funds rather than the return gained on investments. The main perceived risks associated with treasury management are discussed below.

Credit Risks

25. Risk that a counterparty will default, fully or partially, on an investment placed with them. There were no counterparty defaults during the year to date, the Council's position is that it will invest the majority of its cash in the main UK Banks which are considered to be relatively risk adverse and have been heavily protected by the UK Government over the last few years. The strategy is being constantly monitored and may change if UK Bank Long Term ratings fall below acceptable levels.

Liquidity Risks

26. Aims to ensure that the Council has sufficient cash available when it is needed. This was actively managed throughout the year and there are no liquidity issues to report.

Re-financing Risks

27. Managing the exposure to replacing financial instruments (borrowings) as and when they mature. The Council continues to monitor premiums and discounts in relation to redeeming debt early. Only if interest rates result in a discount that will benefit the Council would early redemption be considered.

Interest Rate Risks

28. Exposure to interest rate movements on its borrowings and investments. The Council is protected from rate movements once a loan or investment is agreed as the vast majority of transactions are secured at a fixed rate.

Price Risk

29. Relates to changes in the value of an investment due to variation in price. The Council does not invest in Gilts or any other investments that would lead to a reduction in the principal value repaid on maturity.

Background papers

30. Treasury Management report to Full Council on 11th February 2025
<https://democracy.bcpccouncil.gov.uk/documents/s56116/Treasury%20Management%20Monitoring%20report%20for%20the%20period%20April%20to%20December%202024%20and%20Treasury%20Management%20.pdf>