

Audit & Governance Committee



Report Subject	Treasury Management Monitoring report for the period April to December 2025 and Treasury Management Strategy 2026/27
Meeting date	15 January 2026
Status	Public
Executive summary	<p>This report sets out the monitoring of the Council's Treasury Management function for the period 1 April 2025 to 31 December 2025. A surplus of £1.1m is being forecast for the 2025/26 financial year, partly due to the Council's ability to borrow lower than budgeted PWLB interest rates and partly due to increased interest receivable from investments.</p> <p>This report also presents the Treasury Management Strategy for 2026/27 with the relevant detailed strategy included as appendix 1.</p>
Recommendations	<p>It is RECOMMENDED that Audit & Governance Committee:</p> <p>1) note the reported activity of the Treasury Management function for the period ending 31 December 2025.</p> <p>It is RECOMMENDED that Audit & Governance Committee recommends that Council.</p> <p>2) Approve the Treasury Management Strategy 2026/27 (Appendix 1)</p>
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.
Portfolio Holder	Councillor Mike Cox, Portfolio Holder for Finance
Corporate Director	Aidan Dunn, Chief Executive
Service Director	Adam Richens, Director of Finance
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 (2022).
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

5. The Bank of England (BoE) in December 2025 decreased interest rates to 3.75% following quicker than forecast fall in inflation. This follows decreases from a high of 5.25% in August 2024. The Bank's Monetary Policy Committee (MPC) voted 5-4 in favour of reducing the rate in December 2025, with 4 voting for no change which emphasises the gradual approach to rate reduction.
6. The MPC continue to suggest a gradual and careful rate cuts which are now expected to reach 3.5% during the middle of 2026 and remain at this rate during the next financial year (2026/27).
7. CPI inflation has fallen quicker than expected during the last quarter, from the 3.8% reported in Q2, reaching 3.2% in November and is expected to continue its decline towards the targeted 2% during 2026.
8. The main inflationary factor driving the earlier than expected decrease in CPI is the price of food and drinks.

Interest Rates

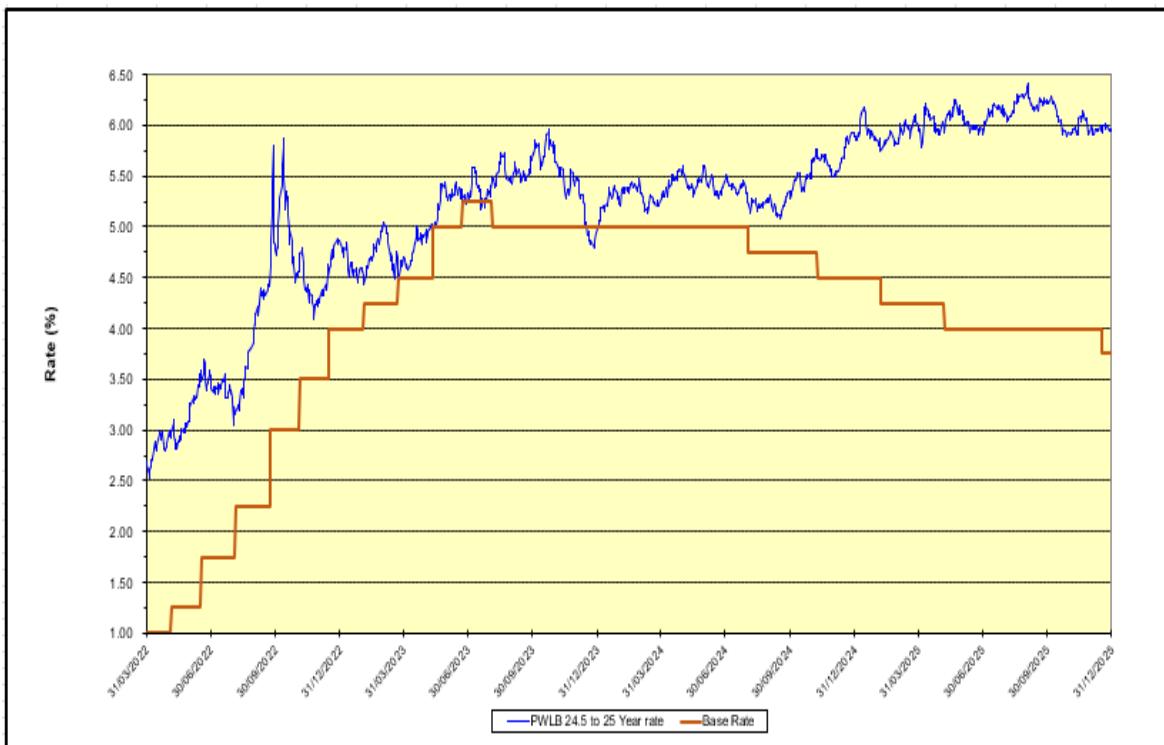
9. Table 1 overleaf which is produced by the authority's treasury consultants MUFG Corporate Markets, sets out their current and projected interest rates over the medium term

Table 1: Interest rate projection (Link Asset Services)

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	3.75%	3.50%	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	4.80%	4.70%	4.60%	4.60%	4.50%	4.50%	4.40%	4.40%
10Y PWLB RATE								
MUFG CM	5.20%	5.00%	4.90%	4.80%	4.80%	4.80%	4.70%	4.70%
Cap Econ	5.30%	5.30%	5.20%	5.10%	5.10%	5.10%	5.10%	5.10%
25Y PWLB RATE								
MUFG CM	5.90%	5.70%	5.70%	5.50%	5.50%	5.50%	5.40%	5.40%
Cap Econ	6.00%	5.90%	5.80%	5.70%	5.60%	5.60%	5.50%	5.50%
50Y PWLB RATE								
MUFG CM	5.60%	5.40%	5.40%	5.30%	5.30%	5.30%	5.20%	5.20%
Cap Econ	5.70%	5.60%	5.50%	5.30%	5.20%	5.20%	5.20%	5.20%

10. 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

11. Table 3 overleaf shows the overall treasury management position for 2025/26. The current forecast is an underspend of £1.1m, which is an improved position compared to the £0.3m underspend forecasted at Quarter 2.

12. The reason for this improved forecast is primarily due to greater availability of funds within the local authority market than expected and at rates lower now than forecast at Q2. This market is providing lower rates compared to short term PWLB borrowing used to forecast borrowing costs resulting in a £0.6m reduction in interest costs.

13. A strategy of borrowing cash required into April 2026 mean we have higher cash balances to invest in the short term and have been able to take advantage of the high interest rates being paid within the inter-Local Authority market.

Table 3: Treasury Management Performance 2025/26

	Forecast 2025/26 £'000	Budget 2025/26 £'000	Variance 2025/26 £'000
Expenditure			
Interest Paid on Long Term Borrowings	2,830	2,830	0
Interest Paid on Short Term Borrowings	5,790	6,362	(572)
Income			
Investment Interest Received	(1,850)	(1,105)	(745)
Deductions from general fund	650	450	200
Total	7,420	8,537	(1,117)

Borrowing

14. Table 4 and 5 below shows the closing level of borrowing for the Council's two loan pools.

Table 4: Council Short Term Borrowings as of 31 December 2025

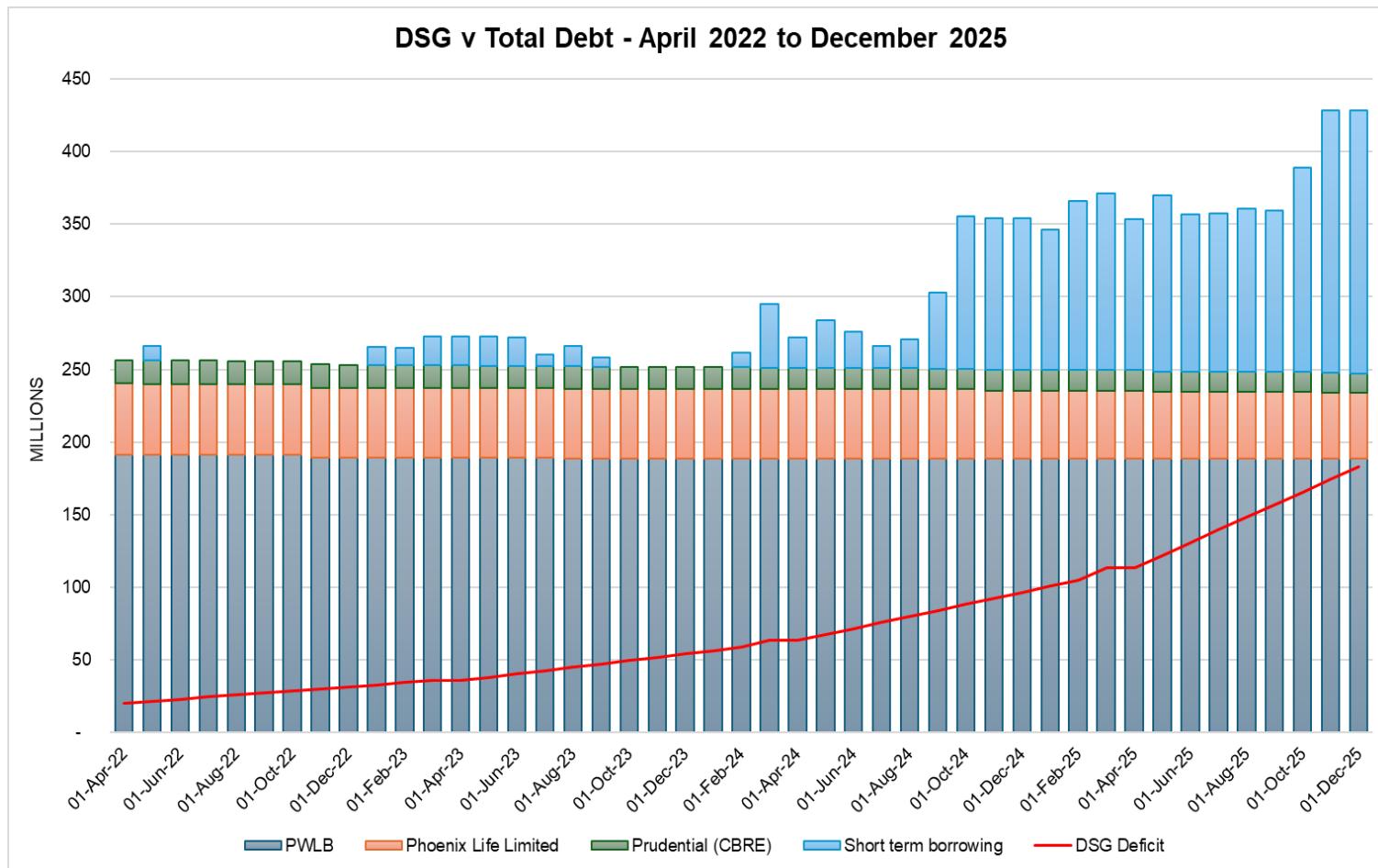
Initial Loan Value £'000	Interest Rate	Balance as at 31 Dec 2025 £'000	Maturity Date	General Fund Pool £'000	HRA Pool £'000	Source
Short Term Borrowing						
5,000	3.95%	5,000	15-Jan-2026	5,000	-	Torbay Borough Council
5,000	3.90%	5,000	23-Jan-2026	5,000	-	Liverpool City Region Combined Authority
10,000	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	4.40%	5,000	02-Feb-2026	5,000	-	Salford City Council
5,000	4.40%	5,000	09-Feb-2026	5,000	-	North Northamptonshire Council
20,000	4.35%	20,000	20-Feb-2026	20,000	-	London Treasury Liquidity Fund LP
5,000	4.40%	5,000	20-Feb-2026	5,000	-	East Riding of Yorkshire Council
5,000	4.40%	5,000	27-Feb-2026	5,000	-	Torfaen County Borough Council
5,000	4.40%	5,000	02-Mar-2026	5,000	-	Salford City Council
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
5,000	4.50%	5,000	17-Apr-2026	5,000	-	South Ribble 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	4.60%	5,000	07-May-2026	5,000	-	Tamworth Borough Council
5,000	4.60%	5,000	07-May-2026	5,000	-	Torbay Borough Council
5,000	4.10%	5,000	08-May-2026	5,000	-	London Borough of Islington
5,000	4.60%	5,000	11-May-2026	5,000	-	West Yorkshire Pension Fund
5,000	4.50%	5,000	18-May-2026	5,000	-	Devon County Council Pension Fund
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
5,000	4.60%	5,000	29-May-2026	5,000	-	East Midlands Combined Authority
20,000	4.50%	20,000	19-Jun-2026	20,000	-	London Treasury Liquidity Fund LP
181,000		181,000		181,000	-	

Table 5: Council Long Term Borrowings as of 31 December 2025

Initial Loan Value £'000	Interest Rate	Balance as at 31 Dec 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	13,291	17-Oct-2039	13,291	-	Prudential Assurance Co
49,000	1.69%	45,097	24-Nov-2045	45,097	-	Phoenix Life Limited
71,625		58,388		58,388	-	
Total Short Term and Long term Borrowing						
441,521		428,284		301,388	126,896	

Table 6: Debt Summary April 2022 - December 2025

15. The chart shows the overall increase in debt held since April 2022 and overlays the accumulated dedicated school grant (DSG) deficit over the same period. Debts in the short term have increased significantly to satisfy the cash demand of the deficit. The inclusion of this chart works on satisfying the recommendation from external audit to include comparisons on the level of borrowing to the previous year and earlier periods.



Investments

16. A full list of investments held by the authority as of 31 December 2025 is shown in Table 7 below.

Table 7: Investment Summary as of 31 December 2025

Investments	Maturity Date	Principal Amount £	Interest %
<u>Fixed Term Deposits</u>			
London Borough of Newham	19-Jan-2026	10,000,000	4.20
Cornwall Council	26-Jan-2026	10,000,000	4.20
Uttlesford District Council	02-Feb-2026	5,000,000	4.20
Eastbourne Borough Council	12-Feb-2026	10,000,000	4.20
Wirral Borough Council	17-Feb-2026	10,000,000	4.20
Wirral Borough Council	20-Feb-2026	10,000,000	4.20
London Borough of Barking & Dagenham	23-Feb-2026	10,000,000	4.20
Sub Total		65,000,000	
<u>Call Account</u>			
Aberdeen Standard Liquidity Fund		7,825,000	
Total		72,825,000	

17. The Treasury Management function average returns of 4.16% for the period 1 April 2025 to 31 December 2025 for its combined investments, compared favourably to the average SONIA overnight benchmark rate of 4.05%.

Prudential Indicators

18. The Treasury Management Prudential Code Indicators were set as part of the 2025/26 Treasury Management Strategy as agreed with Council in February 2025. It can be confirmed that all indicators have been complied with during the period 1 April 2025 to 31 December 2025.

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 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 2024/25 and the period 1 April 2025 to 31 December 2025.

Treasury Management Strategy 2026/27

21. The Treasury Management Strategy is produced each year in accordance with the CIPFA Code of Practice on Treasury Management. It sets out how the Council's Treasury service will support capital investment decisions, and how the treasury management operates day to day. Its sets out the limitations on treasury management activity through prudential indicators, within which the council's treasury function must operate. The strategy is included as Appendix 1 to the report.
22. Aside from the standard update of financial estimates for the prudential indicators there have been no other significant changes made.

Summary of Financial Implications

23. Financial implications are as outlined within the report.

Summary of Legal Implications

24. There are no known legal implications.

Summary of Human Resource Implications

25. There are no known human resource implications.

Summary of Sustainability Impact

26. There is no known sustainability impact.

Summary of Public Health Implications

27. There are no known public health implications.

Summary of Equalities and Diversity Impact

28. 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

29. 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

30. 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

31. 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

32. 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

33. 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

34. 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

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

Appendices

Appendix 1 - Treasury Management Strategy 2026/27