AUDIT AND GOVERNANCE COMMITTEE

Report subject	**Treasury Management Outturn 25-26 and Q1 26-27**
Meeting date	30 July 2026
Status	Public
Executive summary	This report sets out the monitoring of the Council's Treasury Management function for the period 1 April 2025 to 31 March 2026. An underspend of £1.1m was the achieved against budget. The council saw higher than expected cash balances during the year increasing interest receivables from investments. This resulted from borrowing being arranged in advance of needs, at preferential rates, to ensure availability in March. The ability to utilise lower borrowing rates than budgeted also resulted in an underspend on sort term borrowing costs. The report also sets out the Quarter One performance for 2026/27 which forecasts no variance to budget.
Recommendations	**It is recommended that Audit & Governance Committee:** 1) note the reported activity of the Treasury Management function for 2025/26 **note the reported activity of the Treasury Management function for April to June 2026** 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 is required to approve any changes to the prudential indicators based on a recommendation from the Audit & Governance Committee.**
Reason for recommendations	**It is recommended that Audit & Governance Committee:** 2) note the reported activity of the Treasury Management function for 2025/26 note the reported activity of the Treasury Management function for April to June 2026

Portfolio Holder(s):	Councillor Mike Cox, Portfolio Holder for Finance
Corporate Director	Aidan Dunn, Chief Executive
Report Authors	Russell Oakley, Finance Manager – Technical Sarah Darkes, Corporate Accountant
Wards	Not applicable
Classification	For information and recommendation

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 Treasury Services)

5. The Bank of England's Monetary Policy Committee (MPC) has held the Bank Rate at 3.75% since 18th December 2025. Previously forecast cuts in interest rate have not been realised due to the conflict in the Middle East.

6. Economic uncertainty caused by this conflict and rising energy prices resulted in a minority of members voting to raise rates in the last two meetings. Despite this interest rate forecasts anticipate the base rate will remain at 3.75% this year, before falling to 3.5% by the end of 2027 and 3.25% in Spring 2028.

7. CPI inflation stuck at 2.8% in April and May 2026, having fallen to 3.0% at the start of Q4, global events and uncertainty of energy prices saw a rise to 3.3% in March.

8. Markets have seen a delayed impact of energy price shocks in Q1 but expect to see increased CPI over the remainder of the financial year, peaking at 3.6%, before an expected fall back to 2% next year driven by weak labour market and a soft economic backdrop.

9. The 10-year guilt yield fluctuated between 5.18% and 4.69% before ending the quarter at 4.76%. This rally in Gilts has also been supported by the Bank of England keeping rates on hold.

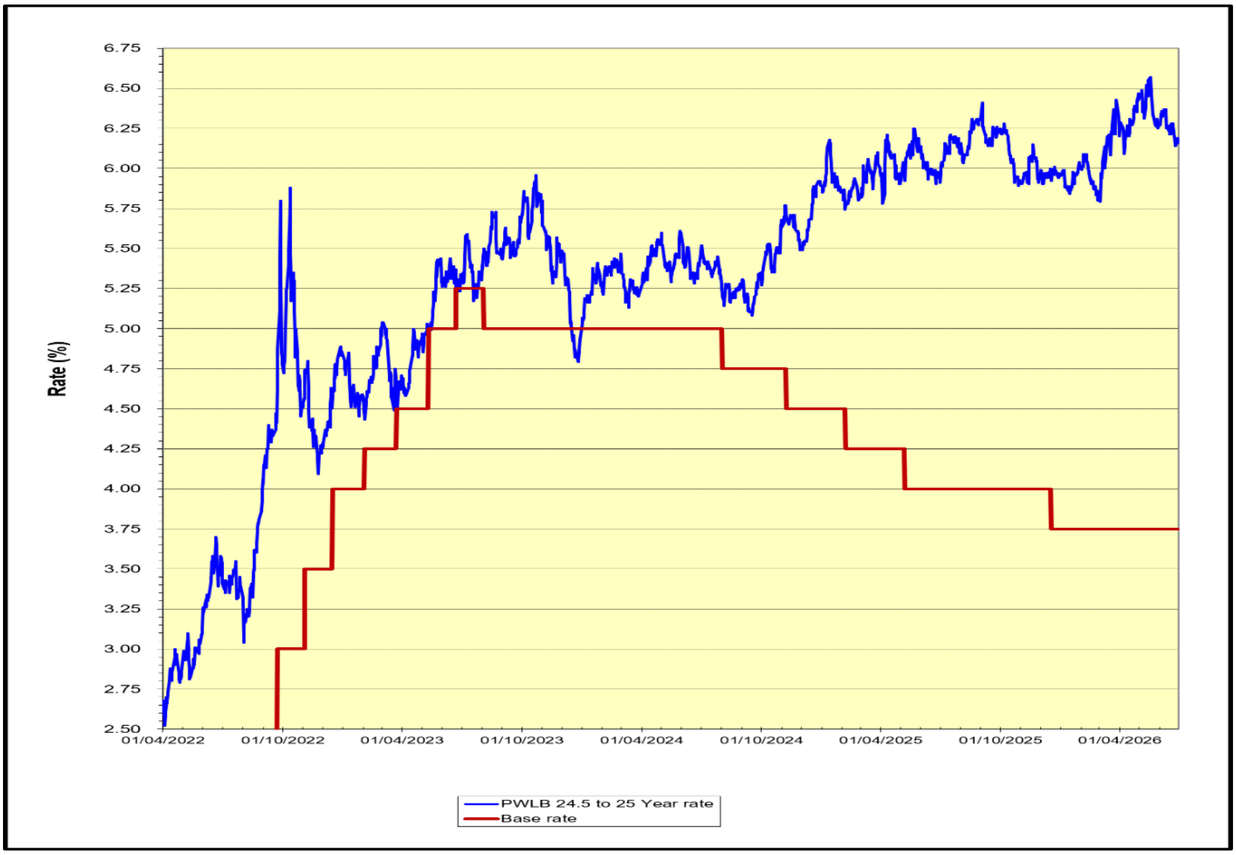
Interest Rates

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	**Sep-26**	**Dec-26**	**Mar-27**	**Jun-27**	**Sep-27**	**Dec-27**	**Mar-28**	**Jun-28**
MUFG CM	3.75%	3.75%	3.75%	3.75%	3.50%	3.50%	3.25%	3.25%
Cap Econ	3.75%	3.75%	3.75%	3.75%	3.25%	3.00%	-	-
5Y PWLB RATE								
MUFG CM	5.00%	4.90%	4.80%	4.60%	4.40%	4.20%	4.20%	4.10%
Cap Econ	4.90%	4.70%	4.60%	4.60%	4.50%	4.40%	-	-
10Y PWLB RATE								
MUFG CM	5.50%	5.40%	5.30%	5.10%	4.90%	4.70%	4.70%	4.60%
Cap Econ	5.50%	5.30%	5.30%	5.20%	5.10%	5.10%	-	-
25Y PWLB RATE								
MUFG CM	6.00%	5.90%	5.80%	5.60%	5.40%	5.20%	5.20%	5.20%
Cap Econ	6.10%	5.80%	5.80%	5.70%	5.60%	5.50%	-	-
50Y PWLB RATE								
MUFG CM	5.80%	5.70%	5.50%	5.40%	5.20%	5.00%	5.00%	5.00%
Cap Econ	5.80%	5.50%	5.40%	5.30%	5.30%	5.20%	-	-

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



Treasury Management Performance 2025/26

11. Table 3 below shows the final overall treasury management position for 2025/26 which underspent against the budget by £1.1m. Investment income showed a £0.8m surplus as cash required into April 2026 was secured early, to avoid rising interest rates, resulted in higher cash balances to invest.

12. The interest paid on borrowing was £0.3m under budget. This is a result of the councils continued ability to utilise lower borrowing rates in the local authority market than budgeted, which was based on PWLB interest rates. No long-term borrowing was taken out in 2025/26.

Table 3: Treasury Management Performance 2025/26

	Actual 2025/26 £'000	**Budget 2025/26 £'000**	**Variance 2025/26 £'000**
Expenditure			
Interest Paid on Long Term Borrowings	2,866	2,920	(54)
Interest Paid on Short Term Borrowings	5,920	6,236	(316)
Broker Fees	252	252	0
Income			
Investment Interest Received	(2,067)	(1,105)	(962)
Deductions from general fund	653	450	203
Total	**7,624**	**8,753**	**(1,129)**

Borrowing

13. The Council has adopted a two-pool approach to debt management, separating the debts of the General Fund (Pool 1) and the Housing Revenue Account (HRA) (Pool 2). The HRA pool is a combination of both the Poole and Bournemouth Neighbourhood HRA accounts.

14. Table 3 and 4 below shows the closing level of borrowing for the Council's two loans pool.

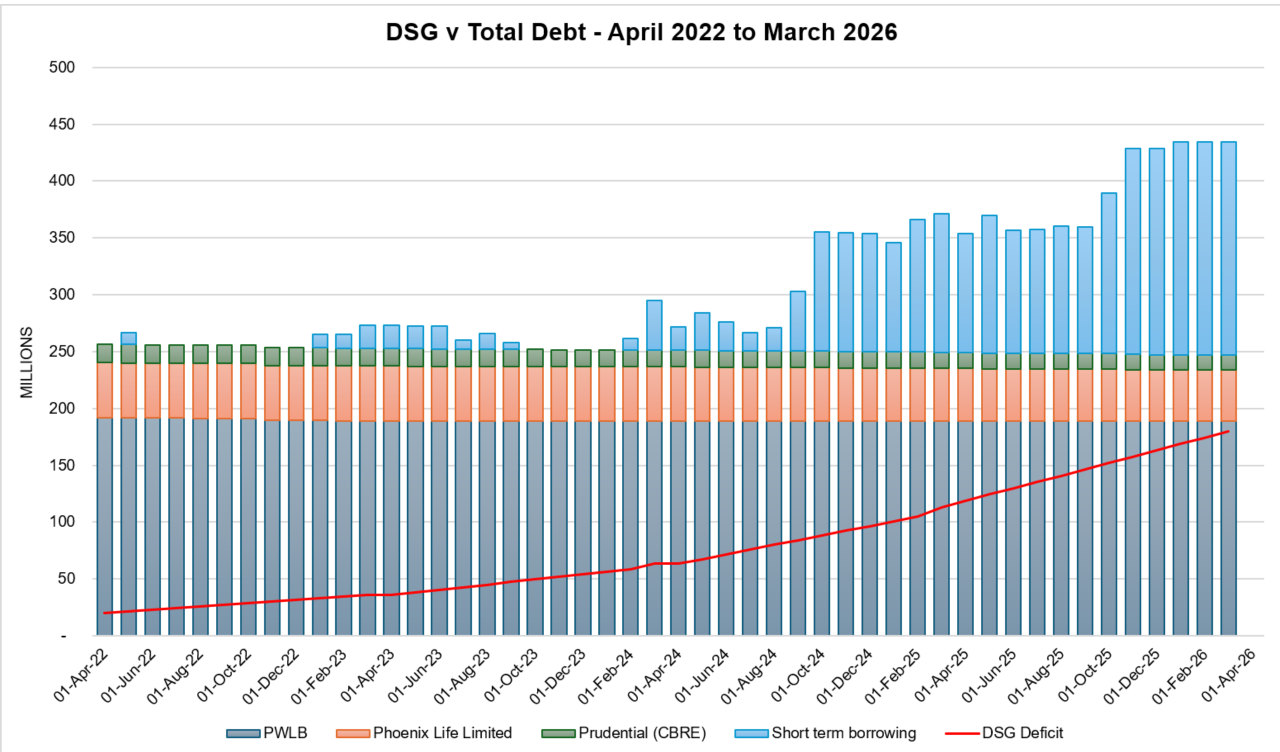
Table 4: Council Short Term Borrowings as at 31 March 2026

Initial Loan Value £'000	Interest Rate	Balance as at 31 March 2026 £'000	Maturity Date	General Fund Pool £'000	HRA Pool £'000	Source
Short Term Borrowing						
5,000	4.60%	5,000	07-Apr-2026	5,000	-	Causeway Coast and Glens Borough Council
5,000	4.10%	5,000	07-Apr-2026	5,000	-	Harborough District Council
5,000	4.60%	5,000	07-Apr-2026	5,000	-	PCC for West Midlands
5,000	4.60%	5,000	07-Apr-2026	5,000	-	PCC for West Midlands
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
10,000	5.15%	10,000	17-Apr-2026	10,000	-	St Helens MBC
10,000	7.10%	10,000	21-Apr-2026	10,000	-	Birmingham City Council
3,000	4.10%	3,000	24-Apr-2026	3,000	-	Merseyside Fire & Rescue Authority
10,000	4.60%	10,000	30-Apr-2026	10,000	-	London Borough of Croydon
5,000	4.80%	5,000	30-Apr-2026	5,000	-	Furness Building Society
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	5.15%	5,000	19-May-2026	5,000	-	Devon County Council
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	4.60%	5,000	26-May-2026	5,000	-	London Borough of Havering
5,000	5.00%	5,000	27-May-2026	5,000	-	Torfaen County Borough 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
10,000	4.50%	10,000	26-Jun-2026	10,000	-	Unity Trust Bank
5,000	5.15%	5,000	30-Jun-2026	5,000	-	East Riding of Yorkshire Council
5,000	4.50%	5,000	30-Jun-2026	5,000	-	Runnymede Borough Council
187,000		**187,000**		**187,000**	-	

Table 5: Council Long Term Borrowings as at 31 March 2026

Initial Loan Value £'000	Interest Rate	Balance as at 31 March 2026 £'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	13,081	17-Oct-2039	13,081	-	Prudential Assurance Co
49,000	1.69%	45,097	24-Nov-2045	45,097	-	Phoenix Life Limited
447,521		**434,074**		**307,178**	**126,896**	

Table 6 Debt Summary April 2022 - March 2026



15. Table 7 below shows the closing level of the Council Capital Financing Requirement and how that is made up of actual external borrowing and what the level of under borrowing.

Table 7: Council Capital Financing Requirement 31 March 2026

	General Fund £000	HRA £000	Total £000
External Borrowing	307,178	126,896	434,074
Internal Borrowing (Under borrowing)	96,808	22,513	119,321
Capital Finance Requirement	**403,986**	**149,409**	**553,395**

Investments

16. During the year, cash surpluses are invested by the Treasury Management team through direct dealing or money brokers with approved counterparties. The Council's counterparty list i.e. the list of organisations that it has been agreed that the Council can invest with has become increasingly restricted in recent years due to the economic climate and the criteria used to select appropriate organisations.

17. A full list of investments held by the authority as of 31 March 2026 is shown in Table 8 below.

Table 8: Investment Summary as at 31 March 2026

Investments	Maturity Date	Principal Amount £	Interest %
Fixed Term Deposits			
DMADF	01-Apr-2026	2,075,000	3.70%
Sub Total		**2,075,000**	
Call Account			
LGIM Sterling Liquidity Fund		2,925,000	3.85%
Total		**5,000,000**	

18. The Treasury Management function achieved average returns of 4.15% for the period 1 April 2025 to 31 March 2026 for its combined investment compared to the SONIA average rate of 3.94%.

Treasury Management Performance 2026/27

19. Table 9 below shows the overall treasury management position for 2026/27. The current forecast that the function will have no variance to budgets. This forecast is based on the uncertainty of when the SEND recovery grant will be received, should this be received in October a positive change would be seen at outturn.

Table 9: Treasury Management performance 2026/27

	Actual 2026/27 £'000	Budget 2026/27 £'000	Variance 2026/27 £'000
Expenditure			
Interest Paid on Long Term Borrowings	2,898	2,898	0
Interest Paid on Short Term Borrowings	9,233	9,233	0
Broker fees	250	250	0
Income			
Investment Interest Received	(655)	(655)	0
Deductions from general fund	200	200	0
Total	**11,926**	**11,926**	**0**

Borrowing

20. Table 10 and 11 below shows the closing level of borrowing for the Council's two loans pool.

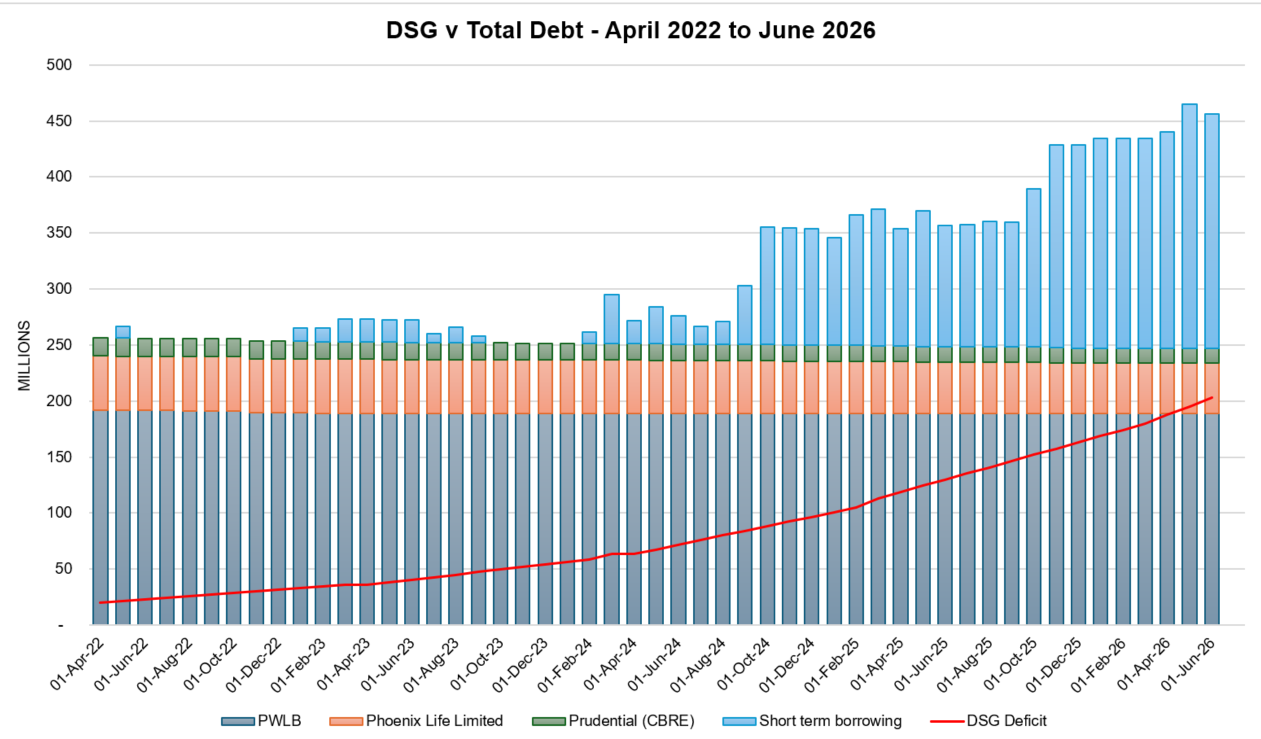
Table 10: Council Short Term Borrowings as of 30 June 2026

Initial Loan Value £'000	Interest Rate	Balance as at 30 June 2026 £'000	Maturity Date	General Fund Pool £'000	HRA Pool £'000	Source
Short Term Borrowing						
10,000	4.00%	10,000	01-Jul-2026	10,000	-	Rhondda Cynon Taff CBC
30,000	4.15%	30,000	08-Sep-2026	30,000	-	West Midlands Combined Authority
5,000	4.15%	5,000	22-Sep-2026	5,000	-	PCC for Hampshire
20,000	4.20%	20,000	22-Sep-2026	20,000	-	London Treasury Liquidity Fund LP
15,000	4.15%	15,000	24-Sep-2026	15,000	-	Northern Ireland Housing Executive
20,000	4.15%	20,000	28-Sep-2026	20,000	-	West Midlands Combined Authority
5,000	4.15%	5,000	29-Sep-2026	5,000	-	East Midlands Combined Authority
10,000	4.15%	10,000	30-Sep-2026	10,000	-	London Borough of Croydon
5,000	4.40%	5,000	15-Oct-2026	5,000	-	Devon County Council
5,000	4.20%	5,000	16-Oct-2026	5,000	-	Rugby Borough Council
10,000	4.40%	10,000	20-Oct-2026	10,000	-	South Yorkshire Mayoral Combined Authority
10,000	4.40%	10,000	20-Oct-2026	10,000	-	Lincolnshire County Council
10,000	4.40%	10,000	20-Oct-2026	10,000	-	East Midlands Combined Authority
4,000	4.38%	4,000	20-Oct-2026	4,000	-	Mole Valley District Council
5,000	4.30%	5,000	30-Oct-2026	5,000	-	Wyre Borough Council
15,000	4.30%	15,000	02-Nov-2026	15,000	-	West Yorkshire Combined Authority
10,000	4.30%	10,000	02-Nov-2026	10,000	-	Liverpool City Region Combined Authority
10,000	4.20%	10,000	06-Nov-2026	10,000	-	Liverpool City Region Combined Authority
10,000	4.00%	10,000	27-May-2027	10,000	-	West of England Combined Authority
209,000		**209,000**		**209,000**	**-**	

Table 11: Council Long Term Borrowings as at 30 June 2026

Initial Loan Value £'000	Interest Rate	Balance as at 30 June 2026 £'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	12,871	17-Oct-2039	12,871	-	Prudential Assurance Co
49,000	1.69%	45,097	24-Nov-2045	45,097	-	Phoenix Life Limited
469,521		**455,864**		**328,968**	**126,896**	

Table 12 Debt Summary April 2022 - December 2025



Investments

21. A full list of investments held by the authority as of 30 June 2026 is shown in Table 13 below.

Table 13: Investment Summary as of 30 June 2026

Investments	Maturity Date	Principal Amount £	Interest %
Fixed Term Deposits			
Sub Total		**0**	
Call Account			
LGIM Sterling Liquidity Fund		1,625,000	**3.88%**
Total		**1,625,000**	

22. The Treasury Management function has achieved returns of 3.82% for the period 1 April 2025 to 30 June 2025 for its combined investment, bettering the SONIA overnight rate of 3.73%.

Prudential Indicators and Member Training

23. The Treasury Management Prudential Code Indicators were set as part of the 2025/26 & 2026/27 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 June 2026.

24. 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.

25. In conjunction with the chair of Audit & Governance Committee training was delivered to all members in November 2025.

Compliance with Policy

26. 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 December 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.

27. 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 2026 to 30 June 2026.

Summary of Financial/Resource Implications

28. Financial implications are as outlined within the report.

Summary of Legal Implications

29. There are no known legal implications.

Summary of Human Resource Implications

30. There are no known human resource implications.

Summary of Sustainability Implications

31. There are no known Sustainability implications.

Summary of Public Health Implications

32. There are no known public health implications.

Summary of Equality Implications

33. 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

34. 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

35. 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

36. 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

37. 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

38. 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

39. 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

40. Treasury Management report & Strategy to Full Council on 24th February 2026 https://democracy.bcpcouncil.gov.uk/documents/s64769/Treasury%20Management%20Monitoring%20report%20for%20the%20period%20April%20to%20December%202025%20and%20Treasury%20Management%20.pdf & https://democracy.bcpcouncil.gov.uk/documents/s64770/Appendix%201%20Treasury%20Management%20Strategy%20202627.pdf