

**Report for:** Audit Committee – 29<sup>th</sup> January 2026

**Item number:** 10

**Title:** Treasury Management Qtr2 Report 2025/26

**Report authorised by:** Josephine Lyseight, Assistant Director of Finance (Deputy S151 Officer)

**Lead Officer:** Sam Masters, Head of Finance – Treasury and Banking  
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**Ward(s) affected:** N/A

**Report for Key/  
Non Key Decision:** N/A

## **1. Describe the issue under consideration**

- 1.1. The Council has adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Council to approve treasury management reports on a semi-annual and annual basis.
- 1.2. The Council's Treasury Management Strategy for 2025/26 was approved at a full Council meeting on 3rd March 2025. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's treasury management strategy.
- 1.3. This report provides an update to the Audit Committee on the Council's treasury management activities and performance for the six months ending 30<sup>th</sup> September 2025, in accordance with the CIPFA Code.

## **2. Cabinet Member Introduction**

- 2.1. Not applicable.

## **3. Recommendations**

The Audit Committee is requested:

- 3.1. To note the treasury management activity undertaken during the financial year to 30<sup>th</sup> September 2025 and the performance achieved which is attached as Appendix 1 to this report.
- 3.2. To note that all treasury activities were undertaken in line with the approved Treasury Management Strategy.

## **4. Reason for Decision**

4.1. Not applicable.

## **5. Other options considered**

5.1. Not applicable.

## **6. Background information**

6.1. The Council's treasury management activity is underpinned by CIPFA's Treasury Management in Public Services: Code of Practice (the CIPFA Code), which requires local authorities to produce annually, Prudential Indicators and a Treasury Management Strategy Statement.

6.2. CIPFA has defined Treasury management as: "The management of the authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

6.3. The CIPFA Code recommends that members are informed of treasury management activities at least twice a year. Following an amendment to the Council's constitution in 2023, it was determined that the reviewing and monitoring of treasury policy, strategy and activity is delegated to the Audit Committee. This Committee receives quarterly treasury management update reports, including a mid-year and annual report.

6.4. However, overall responsibility for treasury management remains with full Council, and the Council approved the Treasury Management Strategy Statement and set the Prudential Indicators for 2025/26 on 3<sup>rd</sup> March 2025.

6.5. Government guidance on local authority treasury management states that local authorities should consider the following factors in the order they are stated:

Security → Liquidity → Yield

6.6. The Treasury Management Strategy reflects these factors and is explicit that the priority for the Council is the security of its funds. However, no treasury activity is without risk and the effective identification and management of risk are integral to the Council's treasury management activities.

### **Economic Background**

6.7. The first quarter was dominated by the fallout from the US trade tariffs and their impact on equity and bond markets. The second quarter, still rife with uncertainty, saw equity markets making gains and a divergence in US and UK government bond yields, which had been moving relatively closely together.

6.8. From late June, amid a UK backdrop of economic uncertainty, concerns around the government's fiscal position and speculation around the autumn Budget, yields on medium and longer term gilts pushed higher, including the 30-year which hit its highest level for almost 30 years.

6.9. The BoE's Monetary Policy Committee (MPC) cut Bank Rate from 4.5% to 4.25% in May and to 4.0% in August after an unprecedented second round

of voting. The final 5-4 vote was for a 25bps cut, with the minority wanting no change. In September, seven MPC members voted to hold rates while two preferred a 25bps cut. The Committee's views still differ on whether the upside risks from inflation expectations and wage setting outweigh downside risks from weaker demand and growth.

**Table 1: BoE Base Rate – Quarterly Movement**

|               | <b>Dec-24</b> | <b>Mar-25</b> | <b>Jun-25</b> | <b>Sep-25</b> | <b>Current Rate</b> |
|---------------|---------------|---------------|---------------|---------------|---------------------|
| BoE Bank Rate | 4.75%         | 4.50%         | 4.25%         | 4.00%         | 4.00%               |

### **Borrowing Activity**

- 6.10. As outlined in the treasury strategy, the Council's primary objective when borrowing is to strike an appropriately low-risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective. The Council's borrowing strategy continues to address the key issue of affordability without compromising longer-term stability of the debt portfolio.
- 6.11. After substantial rises in interest rates since 2021 central banks have now begun to reduce their policy rates, albeit slowly. Gilt yields however have increased over the Qtr2 period amid concerns about inflation, the UK government's fiscal position and general economic uncertainty.
- 6.12. The table below shows the movement in rates offered across the various PWLB maturities for the 12 months to 30th September 2025. The rates shown includes the 0.20% certainty discount rate offered by the PWLB to qualifying authorities.

| <b>PWLB Maturity</b> | <b>Dec-24 %</b> | <b>Mar-25 %</b> | <b>Jun-25 %</b> | <b>Sept-25 %</b> |
|----------------------|-----------------|-----------------|-----------------|------------------|
| 10 year              | 5.43            | 5.42            | 5.27            | 5.53             |
| 20 year              | 5.86            | 5.91            | 5.88            | 6.14             |
| 50 year              | 5.68            | 5.67            | 5.71            | 5.98             |

- 6.13. As part of its strategy for funding previous and current years' capital programmes, the Council held £1,043.8m in loans on 30<sup>th</sup> September 2025. The Council has a significant capital programme which will largely be financed by new borrowing in the upcoming years. The Council plans to maintain a balanced portfolio of short and long-term borrowing.
- 6.14. Further details on the borrowing activity of the Council over the period can be found in section 4 of Appendix 1 to this report.

### **Treasury Investment Activity**

- 6.15. In accordance with the CIPFA Code and government guidance, the Council aims to strike an appropriate balance between risk and return, when making treasury investments. The aim is to prioritise the security and liquidity of its investments before seeking the optimum rate of return or yield.

- 6.16. Throughout the quarter the Council's investment balances ranged between £13.6m million and £93.3m due to timing differences between income and expenditure, ending at £40.7m on 30<sup>th</sup> September 2025.
- 6.17. Overnight deposit rates for the Debt Management Account Deposit Facility ranged between 3.95-4.45%. Money Market Fund rates ranged between 4.02–4.54%
- 6.18. The following table shows how the Council's current Treasury investments compare with other local authorities.

|                           | Credit Score | Credit Rating | Bail-in Exposure | Weighted Ave. Maturity (Days) | Rate of Return |
|---------------------------|--------------|---------------|------------------|-------------------------------|----------------|
| 31.03.2025                | 4.95         | A+            | 100%             | 1                             | 4.52%          |
| 30.09.2025                | 4.52         | A+            | 74%              | 1                             | 4.05%          |
| Similar Local Authorities | 4.53         | A+            | 75%              | 10                            | 4.23%          |
| All Local Authorities     | 4.38         | AA-           | 62%              | 11                            | 4.20%          |

Further details on the Council's treasury investment activity over the period can be found in section 5 of Appendix 1 to this report.

### **Treasury Management Prudential Indicators**

- 6.19. The Council measures and manages its exposures to treasury management risks using several indicators that are set when the Treasury Management Strategy is approved in advance of the new financial year.
- 6.20. The Chief Finance Officer reports that all treasury management activities carried out during the year were fully compliant with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy.
- 6.21. A detailed assessment of the Council's compliance with the agreed upon Treasury Management Indicators can be found in section 8 and 9 of Appendix 1 to this report.

## **7. Contribution to Strategic Outcomes**

- 7.1. Not applicable.

## **8. Carbon and Climate Change**

- 8.1. Not applicable.

## **9. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Legal and Governance, Equalities)**

### Finance and Procurement

- 9.1. Finance comments are included throughout the attached report.

Director of Legal and Governance [Haydee Nunes de Souza, Head of Legal Service]

- 9.2. The Head of Legal Services has been consulted on the content of this report which is consistent with legislation governing the financial affairs of the Council. In particular, the Council must comply with the requirements of the

Local Government Act 2003, the Local Authorities (Capital Financing & Accounting – England) Regulations 2003 and the CIPFA Treasury Management code.

9.3. In considering the report Members must take into account the expert financial advice available to it and any further oral advice given at the meeting of the Committee

9.4. Equalities

9.5. There are no equalities issues arising from this report.

## **10. Use of Appendices**

10.1. Appendix 1 – Treasury Management Update Report – Qtr2 2025/26

## **11. Background Papers**

11.1. None