

<b>This report is public</b>	
<b>Treasury Management Report – Q1 2025/26 (June 2025)</b>	
<b>Committee</b>	Accounts, Audit and Risk Committee
<b>Date of Committee</b>	16 July 2025
<b>Portfolio Holder presenting the report</b>	Deputy Leader and Portfolio Holder for Finance, Property & Regeneration, Councillor Lesley McLean
<b>Date Portfolio Holder agreed report</b>	07 July 2025
<b>Report of</b>	Assistant Director of Finance (S151 Officer), Michael Furness

## **Purpose of report**

To provide information on treasury management performance and compliance with treasury management policy for 2025-26 as required by the Treasury Management Code of Practice.

To demonstrate that all treasury management activities undertaken during the first quarter of 2025-26 complied with the CIPFA Code of Practice and the council's approved Treasury Management Strategy.

## **1. Recommendations**

The Accounts, Audit and Risk Committee resolves:

- 1.1 To note the contents of this Treasury Management Performance Report.

## **2. Executive Summary**

- 2.1 The council complies with the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires scrutiny of the quarterly Treasury Management reports.
- 2.2 The council's Treasury Management Strategy for 2025-26 was approved by Council on 24 February 2025. The Treasury indicators have been included in this report as per the 2021 CIPFA Treasury Management in the Public Services Code of Practice requirements.

## Implications & Impact Assessments

Implications	Commentary			
<b>Finance</b>	The financial implications have been taken into account in the Budget Management reports considered by Executive. Joanne Kaye, Head of Finance 30 June 2025			
<b>Legal</b>	The presentation of the report is required by regulations issued under the Local Government Act 2003 to review the treasury management activities, the actual prudential indicators and the treasury related indicators. Denzil Turbervill, Head of Legal 02 July 2025			
<b>Risk Management</b>	It is essential that this report is considered by the Audit Committee as it demonstrates that the risk of not complying with the council's Treasury Management Policy has been avoided. This and any other risks related to this report will be managed through the service operational risk and escalated to the leadership risk register as and when necessary. Celia Prado-Teeling, Performance Team Leader, 30 June 2025			
Impact Assessments	Positive	Neutral	Negative	Commentary
<b>Equality Impact</b>		X		Not applicable
<b>A</b> Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		Not applicable
<b>B</b> Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		X		Not applicable
<b>Climate &amp; Environmental Impact</b>		X		Investments made in line with approved Treasury Strategy
<b>ICT &amp; Digital Impact</b>				Not applicable
<b>Data Impact</b>				Not applicable

<b>Procurement &amp; subsidy</b>				Not applicable
<b>Council Priorities</b>	Not applicable			
<b>Human Resources</b>	Not applicable			
<b>Property</b>	Not applicable			
<b>Consultation &amp; Engagement</b>	Not applicable			

## Supporting Information

### 3. Background

- 3.1 It is a statutory duty for the council to determine and keep under review its affordable borrowing limits. During the first quarter of 2025/26, the council has operated within the treasury and prudential indicators set out in the council's Treasury Management Strategy Statement for 2025/26. The Assistant Director of Finance reports that no difficulties are envisaged for future years in complying with these indicators.
- 3.2 As at the end of June 2025 the council had borrowing position of £157m and investments of £18m – a net borrowing position of £139m (Net borrowing position 31 March 2025: £160m)
- 3.3 The net borrowing position decreased primarily because of the £14.6m discount the PWLB awarded on repaying a 50-year loan early. The £25m loan due to mature in November 2071 was repaid in April 2025 for the principal amount of £10.4m with the council retaining the £14.6m discount. The discount is to be amortised over 10 years, resulting in a £1.46m windfall in 25/26 which will to be moved to reserves. This is referred to in point 4.13 and reflected in Table 9.

### 4. Details

#### **Borrowing performance for first quarter ending 30 June 2025**

- 4.1 The council continues to pursue its strategy of keeping borrowing below its Capital Financing requirements, this is referred to as internal borrowing, in order to reduce risk and borrowing costs.
- 4.2 The council's chief 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.

Table 1: Borrowing Position for quarter ended 30 June 2025

	<b>Borrowing Amount £m</b>	<b>Average Interest Rate</b>	<b>Interest Paid Budget £m</b>	<b>Interest Paid Actual £m</b>	<b>Variance to Date £m</b>
April to June 2025	156 (average)	2.84%	1.228	1.094	(0.134)
As at 30/06/25	157	2.88%	-	-	-

\* Interest payable relates to external loans only, excluding finance lease and other interest

- 4.3 Interest payable for the period is below the budget due to internal borrowing being used as much as possible while interest rates continue to reduce more slowly than forecast. A full list of current borrowing is shown in table 2:

Table 2: Borrowing Position

<b>Lender</b>	<b>Principal Borrowed £m</b>	<b>Maturity Date</b>
Cornwall Council 9-month maturity	10	18/07/2025
Greater Manchester Combined Authority 5-month maturity	5	17/09/2025
PWLB 6-year maturity	6	25/09/2025
Arun District Council 6-month maturity	2	17/10/2025
London Borough of Havering 6-month maturity	5	17/10/2025
East Riding of Yorkshire Council 7-month maturity	5	31/10/2025
East Lindsey District Council 6-month maturity	3	14/11/2025
South Holland District Council 6-month maturity	2	14/11/2025
Devon County Council Pension Fund 6-month maturity	5	17/11/2025
PWLB 7-year maturity	6	19/09/2026
PWLB 5-year maturity	10	26/07/2027
PWLB 10-year maturity	10	31/05/2028
PWLB 6-year maturity	5	26/07/2028
PWLB 7-year maturity	10	26/07/2029
<b>Lender</b>	<b>Principal Borrowed £m</b>	<b>Maturity Date</b>
PWLB 10-year maturity	6	25/09/2029
PWLB 8-year maturity	10	26/07/2030
PWLB 11-year maturity	6	19/09/2030
PWLB 9-year maturity	16	26/07/2031
PWLB 10-year maturity	15	26/07/2032
PWLB 15-year maturity	5	31/05/2033
PWLB 15-year maturity	5	25/09/2034
PWLB 16-year maturity	5	19/09/2035
PWLB 30-year maturity	5	31/05/2048
<b>TOTAL</b>	<b>157</b>	

- 4.4 The council monitors its exposure to refinancing risk with the maturity structure of borrowing indicator. While it is important to have flexibility to navigate changing market conditions it is critical that loan repayments are spread appropriately. The lower limit has been considered but kept at zero to ensure that the council is not forced into taking borrowings in a particular category that would lock it into an unfavourable borrowing situation. Borrowing has been kept as short term as possible while the interest rates have been at record highs. Refinancing for up to two years will increase once the interest rates have reduced.

Table 3: Maturity structure of borrowing

Refinancing rate risk indicator	Upper limit	Lower limit	Actual structure
Under 12 months	50%	0%	27.39%
12 months and within 24 months	50%	0%	3.82%
24 months and within 5 years	60%	0%	32.48%
5 years and within 10 years	70%	0%	29.94%
10 years and above	80%	0%	6.37%

## Investment performance for first quarter ending 30 June 2025

- 4.5 Funds available for investment are on a temporary basis because the council prioritises keeping borrowing to a minimum and only invests surplus funds retained to meet its commitments. The level of funds available is mainly dependent on the timing of precept payments, receipt of grants and funding of the Capital Programme.
- 4.6 Treasury income from investments is under budget but this is due to the use of internal borrowing instead of refinancing loans. To see the complete picture, the (£0.134m) underspend on interest paid should be read alongside the £0.111m of under recovery of interest receivable. Table 4 below shows the investment position during and at the end of the reporting period.

Table 4: Investment Position

	Investment Amount £m	Average Interest Rate	Interest Earned Budget £m	Interest Earned Actual £m	Variance to Date £m
April to June 2025	14 (average)	4.81%	(0.267)	(0.156)	0.111
As at 30/06/25	18	4.33%	-	-	-

- 4.7 While maintaining a balance between security, liquidity and yield the council is always looking for ways to invest sustainably (or green investments). However Environmental, Social and Governance (ESG) is the fourth priority of Treasury Management after security, liquidity and yield.

While the council does not currently have any ESG fixed deposits, three of the Money Market funds meet the criteria pursuant to Article 8 of the Sustainable Finance Disclosure Regulation (Regulation EU/2019/2088). These are highlighted in green in Table 5 below which lists all of current investments.

Table 5: Investments

Counterparty	Principal Deposited £m	Maturity Date / Notice period
<u>Fixed Term Deposits</u>		
Qatar National Bank	3.00	19/08/2025
<u>Money Market Funds</u>		
Legal & General Investment Management	5.00	Same day
Federated Investors UK	3.58	Same day
Northern Trust Asset Managements	5.00	Same day
CCLA Investment Management Limited	0.02	Same day
Goldman Sachs Asset Management	1.01	Same day
<b>TOTAL</b>	<b>17.61</b>	

- 4.8 Compliance with investment limits as set out in the Treasury Strategy are detailed in Table 6 below:

Table 6: Investment Limits

Counterparty	2025/26 Limit £m	Complied?
UK Central Government	Unlimited	Yes
Other Local Authorities	5 each	Yes
Any group of organisations under the same ownership	5 per group	Yes
Approved counterparties – Banks/Building Societies	3 each	Yes
Any group of pooled funds under the same management	5 per manager	Yes
Money Market Funds total	20 in total	Yes

## Non-treasury investment activity

- 4.9 The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the council. This is replicated in the government's Statutory Guidance on Local Government Investments, in which the definition of investments is further broadened to also include all such assets that provide a financial return.
- 4.10 As of 31 March 2025, the council holds £102.8m of investments that qualify under the code in the form of shares (£35.6m) and loans (£67.2m) to subsidiary companies and other organisations, primarily Graven Hill and Crown House.
- 4.11 The loan elements of these non-treasury investments can generate a higher rate of return than that earned on treasury investments due to the commercial nature of the loans issued. Table 7 below shows the investment position for this reporting period.

Table 7: Non-treasury Investment Position

	Investment Amount £m	Average Interest Rate	Interest Earned Budget £m	Interest Earned Actual £m	Variance to Date £m
April to June 2025	67.19 (average)	5.94%	(0.986)	(0.998)	(0.012)
As at 30/06/25	67.19	5.94%	-	-	-

## Overall performance

4.12 The overall performance for the period April to June 2025, is:

Table 8: Overall Treasury Position for the Period

	Budget 25/26 £m	Actual 25/26 £m	Variance to date £m
Borrowing costs	1.228	1.094	(0.134)
Other – Interest Paid	0.192	0.000	(0.192)
Other – Interest Receivable	0.000	(1.459)	(1.459)
Treasury income	(0.267)	(0.156)	0.111
Non-treasury income	(0.986)	(0.998)	(0.012)
Transferred to Reserves	0.000	0.000	0.000
<b>Total cost/(income)</b>	<b>0.167</b>	<b>(1.519)</b>	<b>(1.686)</b>

4.13 With the early repayment of a 50-year PWLB loan a discount was received. The discount is to be amortised over 10 years, resulting in a (£1.459m) non-cash windfall, reflected as a surplus in 'Other – Interest Receivable' in table 8 above. At the Executive meeting on 1 July, it was approved that this be moved, along with (£0.498m) 'Other – Interest Paid' forecast savings, to the Interest Rate Equalisation reserve to mitigate future interest rate pressures and is reflected in Table 9 below.

4.14 The forecast after the first quarter of 2025/26, in Table 9 below, shows a further saving of (£0.350m). It will be proposed that these savings be transferred to reserves in the June Finance Monitoring Report which will go to Executive in September.

Table 9: Overall Treasury Position Forecast to Year End

	Full Year Budget £m	Full Year Forecast £m	Full Year Variance £m
Borrowing costs	4.913	4.820	(0.093)
Other – Interest Paid	0.769	0.000	(0.769)
Other – Interest Receivable	0.000	(1.459)	(1.459)
Treasury income	(1.067)	(1.004)	0.063
Non-treasury income	(3.943)	(3.992)	(0.049)
Transferred to Reserves	0.000	1.957	1.957
<b>Total cost/(income)</b>	<b>0.672</b>	<b>0.322</b>	<b>(0.350)</b>

4.15 At the end of the first quarter 2025/26 there has been £1.957m transferred to reserves and another £0.350m proposed to be transferred, making a total of £ 2,307m increase in the Interest Rate Equalisation reserve. This total can be



attributed to the (£1.459m) non-cash windfall, and (£0.769m) savings due to the change in the council's policy of ringfencing interest of funding on receipts received in advance, along with some other small savings on borrowing costs.

### Interest rate forecast

- 4.16 The council has appointed MUFG Corporate Markets (previously known as Link Group) as its treasury advisors and part of their service is to assist the council to formulate a view on interest rates. The latest forecast sets out a view that short, medium and long-dated interest rates are expected to slowly reduce over the next year until settling at 3.50% in December 2026.

Table 10: Link Forecast Rates

Interest Rate Forecasts								
Bank Rate	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
MUFG CM	4.25%	4.25%	4.00%	3.75%	3.75%	3.75%	3.50%	3.50%
Cap Econ	4.25%	4.00%	3.75%	3.50%	3.50%	3.50%	3.50%	3.50%
5Y PWLB RATE								
MUFG CM	4.90%	4.80%	4.70%	4.60%	4.50%	4.40%	4.40%	4.30%
Cap Econ	4.90%	4.80%	4.70%	4.60%	4.50%	4.50%	4.40%	4.40%
10Y PWLB RATE								
MUFG CM	5.20%	5.10%	5.00%	4.90%	4.80%	4.70%	4.70%	4.60%
Cap Econ	5.40%	5.20%	5.10%	5.00%	5.00%	4.90%	4.80%	4.80%
25Y PWLB RATE								
MUFG CM	5.70%	5.60%	5.50%	5.40%	5.30%	5.20%	5.10%	5.00%
Cap Econ	6.00%	5.70%	5.40%	5.30%	5.20%	5.10%	5.00%	5.00%
50Y PWLB RATE								
MUFG CM	5.40%	5.30%	5.20%	5.10%	5.00%	4.90%	4.80%	4.70%
Cap Econ	5.60%	5.40%	5.20%	5.20%	5.10%	5.00%	4.90%	4.90%

\*Cap Econ is an abbreviation for Capital Economics who provide macroeconomic insight, analysis and data.  
Source: Link

## 5. Alternative Options and Reasons for Rejection

- 5.1 The nature of this report is such that alternative options are not appropriate. It is an option to request further information on the performance reported.

## 6 Conclusion and Reasons for Recommendations

- 6.1 This report details the Treasury Performance for the council for the first quarter of 2025/26 ending 30 June 2025. It is submitted to the Accounts, Audit and Risk Committee for information as required by the Treasury Management Code of Practice.

### Decision Information

Key Decision	N/A
Subject to Call in	N/A
If not, why not subject to call in	N/A
Ward(s) Affected	All



## Document Information

<b>Appendices</b>	
<b>Appendix 1</b>	None
<b>Background Papers</b>	None
<b>Reference Papers</b>	Treasury Management Strategy 2025-26 <a href="https://modgov.cherwell.gov.uk/documents/s58192/Appendix%20%20-%20Treasury%20Management%20Strategy%202025-26.pdf">https://modgov.cherwell.gov.uk/documents/s58192/Appendix%20%20-%20Treasury%20Management%20Strategy%202025-26.pdf</a>
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<b>Corporate Director Approval (unless Corporate Director or Statutory Officer report)</b>	S151 Officer, Michael Furness 20 June 2025