

CABINET
20 January 2026

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: SECOND QUARTER TREASURY MANAGEMENT REVIEW 2025/26

REPORT OF: DIRECTOR - RESOURCES

EXECUTIVE MEMBER: RESOURCES

COUNCIL PRIORITY: SUSTAINABILITY

1 EXECUTIVE SUMMARY

- 1.1 To update Cabinet on progress with delivering the treasury strategy for 2025/26, as at the end of September 2025.
- 1.2 To inform Cabinet of the Treasury Management activities in the first six months of 2025/26. The current forecast is that the amount of investment interest expected to be generated during the year is £1.980M. This is an increase of £0.155M on the estimate reported in the 1st quarter report.

2 RECOMMENDATIONS

- 2.1 That Cabinet recommends to Council that it notes the position of Treasury Management activity as at the end of September 2025.

3. REASONS FOR RECOMMENDATIONS

- 3.1 To ensure the Council's continued compliance with CIPFA's code of practice on Treasury Management and the Local Government Act 2003 and that the Council manages its exposure to interest and capital risk.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 The primary principles governing the Council's investment criteria are the security of its investments (ensuring that it gets the capital invested back) and liquidity of investments (being able to get the funds back when needed). After this the return (or yield) is then considered, which provides an income source for the Council. In relation to this the Council could take a different view on its appetite for risk, which would be reflected in the Investment Strategy. In general, greater returns can be achieved by taking on greater risk. Once the Strategy has been set for the year, there is limited scope for alternative

options as Officers will seek the best return that is in accordance with the Investment Strategy

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

5.1 There are regular updates and meetings with Treasury advisors (MUFG, previously known as Link).

6. FORWARD PLAN

6.1 This report contains a recommendation on a key Executive decision that was first notified to the public in the Forward Plan on the 21st November 2025.

7. BACKGROUND

7.1 In February 2025, Council approved a Revenue Budget and Investment Strategy for 2025/26 to 2034/35. The reports for Capital and Treasury have been split for the quarterly monitoring updates.

7.2 MUFG are contracted to provide Treasury advice. The service includes:

- Regular updates on economic and political changes which may impact on the Council's borrowing and investment strategies
- Information on investment counterparty creditworthiness
- Technical updates
- Access to a Technical Advisory Group.

8. RELEVANT CONSIDERATIONS

8.1 The Council has £122.0M of capital assets that it currently owns. The Investment Strategy set out the reasons for owning assets that are not for service delivery, including an assessment of Security, Liquidity, Yield and Fair Value. There have been no significant changes in relation to these since the last quarter.

8.2 The Council invests its surplus cash in accordance with the Investment Strategy (see paragraph 4.1). This surplus cash is made up of capital funding balances, general fund balance, other revenue reserves and provision balances and variations in cash due to the timing of receipts and payments. During the first six months of 2025/26, the Council had an average investment balance of £52.7M and invested this in accordance with the treasury and prudential indicators as set out in the Integrated Capital and Treasury Management Strategy. However, during the period ended 30 September 2025 there was an over investment with one counterparty. £4M was invested with Blackpool Council against a limit of £3M. This over-investment was for the period from 22/08/25 to 15/12/25. This was due to a mistake in recording and checking against previous deals that had already been made. This process can be difficult as there are more instances of other Councils looking for forward dated deals. A further checking process (with another Officer involved) has been put in place to help ensure this does not happen again.

8.3 The Council has generated £1.605M of interest in 2025/26 from investments already made during the first six months of the year (and accrued interest from deals made in 2024/25). This includes the interest that will be earned during the remaining six months of the year on investments that have already been made. The average interest rate on all outstanding investments at the 30th September was 4.25%. (30th June was 4.51%). Based on current investments and forecasts of interest rates and cash balances for the remainder of the year, it is forecast that the Council will generate £1.980M of interest over the whole of 2025/26.

8.4 As at 30th September 2025, the split of investments was as shown in the table below.

| | |
|--------------------|-----|
| Banks | 13% |
| Building Societies | 4% |
| Government | 17% |
| Local Authorities | 66% |

8.5 The level of risk of any investment will be affected by the riskiness of the institution where it is invested and the period that it is invested for. Where an institution has a credit rating this can be used to measure its riskiness. This can be combined with the period remaining on the investment to give a historic risk of default percentage measure. The table below shows the Historic Risk of Default for outstanding investments at 30th September 2025. The most risky investment has a historic risk of default of 0.022%. It should also be noted that in general the interest rate received is correlated to the risk, so the interest income received would be less if the Council took on less risk.

| Borrower | Principal Invested £M | Interest Rate % | Credit Rating | Days to Maturity at 30 Sept | Historic Risk of Default % |
|---------------------------------|-----------------------|-----------------|---------------|-----------------------------|----------------------------|
| Lloyds Bank | 2.0 | 3.77 | AA- | 1 | 0.000 |
| DMO | 2.0 | 4.13 | AA- | 1 | 0.000 |
| DMO | 1.0 | 4.11 | AA- | 1 | 0.000 |
| DMO | 1.0 | 3.95 | AA- | 2 | 0.000 |
| DMO | 2.0 | 4.055 | AA- | 16 | 0.001 |
| Medway Council | 2.0 | 4.1 | AA- | 20 | 0.001 |
| DMO | 1.0 | 3.965 | AA- | 23 | 0.001 |
| DMO | 1.0 | 3.97 | AA- | 30 | 0.002 |
| Nat West | 2.0 | 4.22 | AA- | 32 | 0.004 |
| Australia & New Zealand Bank | 2.0 | 4.29 | AA- | 45 | 0.003 |
| Perth & Kinross Council | 2.0 | 4.05 | AA- | 45 | 0.003 |
| Perth & Kinross Council | 1.0 | 4.00 | AA- | 48 | 0.003 |
| Eastbourne Borough Council | 2.0 | 4.25 | AA- | 55 | 0.003 |
| Blackpool Council | 1.0 | 4.3 | AA- | 57 | 0.003 |
| Uttlesford District Council | 2.0 | 4.25 | AA- | 58 | 0.004 |
| West Berkshire District Council | 2.0 | 4.28 | AA- | 62 | 0.004 |
| Aberdeen City Council | 1.0 | 5.5 | AA- | 71 | 0.004 |
| Skipton Bldg Soc | 1.0 | 4.11 | A- | 76 | 0.010 |
| Blackpool Council | 1.0 | 4.2 | AA- | 76 | 0.005 |
| Suffolk County Council | 2.0 | 4.0 | AA- | 80 | 0.005 |

| Borrower | Principal Invested £M | Interest Rate % | Credit Rating | Days to Maturity at 30 Sept | Historic Risk of Default % |
|------------------------------|-----------------------|-----------------|---------------|-----------------------------|----------------------------|
| Skipton Bldg Soc | 1.0 | 4.09 | A- | 91 | 0.012 |
| Nat West | 1.0 | 4.15 | AA- | 94 | 0.012 |
| LB of Barking & Dagenham | 2.0 | 4.05 | AA- | 106 | 0.006 |
| Blackpool Council | 2.0 | 4.2 | AA- | 111 | 0.007 |
| Lancashire County Council | 1.0 | 4.3 | AA- | 139 | 0.008 |
| Cheshire East Council | 2.0 | 4.2 | AA- | 196 | 0.012 |
| Lancashire County Council | 1.0 | 4.3 | AA- | 196 | 0.012 |
| Australia & New Zealand Bank | 1.0 | 4.19 | AA- | 212 | 0.013 |
| Leeds City Council | 2.0 | 4.22 | AA- | 226 | 0.014 |
| Cheshire East Council | 1.0 | 4.1 | AA- | 261 | 0.016 |
| Walsall Council | 2.0 | 4.25 | AA- | 357 | 0.022 |
| | 47.0 | 4.25 | | | |

DMO credit rating is the UK credit rating.

9. LEGAL IMPLICATIONS

9.1 Cabinet has a responsibility to keep under review the budget of the Council and any other matter having substantial implications for the financial resources of the Council. By considering monitoring reports throughout the financial year Cabinet is able to make informed recommendations on the budget to Council. The Council is under a duty to maintain a balanced budget. The Chartered Institute of Public Finance and Accountancy's (CIPFA's) 'Code of Practice on Treasury Management 2021' requires that committee to which some treasury management responsibilities are delegated, will receive regular monitoring reports on treasury management activities and risks. This report discharges the Council's statutory and regulatory responsibilities for both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities.

The Council is required to comply with both Codes through Regulations issued under the Local Government Act 2003

10. FINANCIAL IMPLICATIONS

10.1 The main financial implications are covered in section 8 of the report.

11. RISK IMPLICATIONS

11.1 Good Risk Management supports and enhances the decision-making process, increasing the likelihood of the Council meeting its objectives and enabling it to respond quickly and effectively to change. When taking decisions, risks and opportunities must be considered.

11.2 Risks associated with treasury management and procedures to minimise risk are outlined in the Treasury Management Practices document, TMP1, which is revisited annually as part of the Treasury Strategy review. The risk on the General Fund of a fall

of investment interest below the budgeted level is dependent on banks and building societies need for borrowing.

12. EQUALITIES IMPLICATIONS

- 12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2. There are no direct equalities implications directly arising from this report.

13. SOCIAL VALUE IMPLICATIONS

- 13.1. The Social Value Act and “go local” requirements do not apply to this report.

14. ENVIRONMENTAL IMPLICATIONS

- 14.1. There are no known Environmental impacts or requirements that apply to recommendations of this report.

15. HUMAN RESOURCE IMPLICATIONS

- 15.1. There are no direct human resource implications.

16. APPENDICES

- 16.1. Appendix A, Treasury Management Update.

17. CONTACT OFFICERS

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18. BACKGROUND PAPERS

- 18.1. Investment Strategy (Integrated Capital and Treasury Strategy)

<https://srvmodgov01.north-herts.gov.uk/documents/s24164/INVESTMENT%20STRATEGY%20INTEGRATED%20CAPITAL%20AND%20TREASURY.pdf>

<https://srvmodgov01.north-herts.gov.uk/documents/s24165/FAR%20Appendix%20A-%20Integrated%20Capital%20and%20Treasury%20Strategy.docx.pdf>