**REPORT of**
**DIRECTOR OF FINANCE**

**to**
**STRATEGY AND RESOURCES COMMITTEE**
**20 NOVEMBER 2025**

**HALF YEARLY TREASURY MANAGEMENT UPDATE**

## 1. PURPOSE OF THE REPORT

1.1 To report on the Council's investment activity for the first half of 2025 / 26 in accordance with the Chartered Institute of Public Finance and Accountancy Treasury Management Code (CIPFA's TM Code) and the Council's Treasury Management Policy and Treasury Management Practices (TMPs).

## 2. RECOMMENDATION

That Members note the Treasury Management report for compliance purposes.

## 3. SUMMARY OF KEY ISSUES

3.1 **Overview**

3.1.1 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 that authorities report on the performance of the treasury management function at least twice yearly (mid-year and at year end).

3.1.2 The Council's Treasury Management Strategy for 2025 / 26 was presented to the Strategy and Resources Committee on 25 January 2024 and subsequently approved by the Council on 15 February 2024.

3.1.3 During 2025 / 26, the Council has had an average of £22.0m invested and is therefore exposed to financial risks, including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury activity and the associated monitoring and control of risk.

3.2 **External Context**

3.2.1 The Council currently engages LINK group to provide treasury management consultancy and advice services. Attached at **APPENDIX 1** is information prepared by LINK group providing an overview of the external economic environment.

3.3 **Local context**

3.3.1 Although the Council is currently debt-free, it has acquired new waste vehicles for the Waste Contract and will invest in its leisure centres under a new Leisure Contract. These investments are funded through internal borrowing.

3.3.2 As a result, invested balances will, over time, decrease because capital receipts and internal borrowing will be used to finance capital expenditure. In addition, reserves may be used to cover any future budget gaps.

3.4 **Investment Activity (April 2025 – September 2026)**

3.4.1 Both the CIPFA Code and government guidance require the Council to invest its funds prudently, prioritising the security and liquidity of its treasury investments before seeking the best possible return. The Council aims to balance risk and return, minimising the chances of losses from defaults and avoiding excessively low investment returns.

3.4.2 The Council holds significant invested funds, which include income received in advance of expenditure, as well as balances and reserves. From April to September 2025, the Council's investments increased by £5.0m. This increase is due to receiving Grants, Council Tax, and National Non-Domestic Rates (NNDR) before paying them out. As a result, the total investments held on 30 September 2024 amounted to £24.1m, broken down as follows:

**Table 1 – Invested Funds**

| | Balance at 01/04/2024 £000s | Movement £000s | Balance at 30/09/2024 £000s | Average Credit Risk Score | Counter-party limit | Sector limit |
|---|---|---|---|---|---|---|
| **Short term Investments:** | | | | | | |
| Banks and Building societies | 6,159 | (1,489) | 4,670 | 5.5 | Operational £3m, Investing £2m | Unlimited (Banks) / £5m (Building Societies) |
| Money Market Funds | 8,000 | (1,000) | 7,000 | 1.0 | £5m | £20m |
| Debt Management Account Deposit Facility | 0 | 7,500 | 7,500 | 4.0 | Unlimited | Not applicable (N/A) |
| **Long Term Investments** | 5,000 | 0 | 5,000 | N/A | £5m | £12m |
| **TOTAL** | **19,159** | **7,011** | **24,170** | **Ave. 3.19** | | |

3.4.3 The Council's £5m in externally managed pooled and property funds have generated a total return of £0.97m so far in 2025/26. These funds do not have a defined maturity date but can be withdrawn after a notice period. Their performance and suitability in meeting the Council's investment objectives are regularly reviewed.

3.4.4 Strategic fund investments are made with the understanding that capital values will fluctuate. However, there is confidence that over a three to five-year period, total returns will exceed cash interest rates. Given their performance over the medium to long term and the Council's latest cash flow forecasts, investment in these funds has been maintained.

3.5 **Performance – Budgeted Income and Outturn**

3.5.1 Below are the average rates of return obtained from the Authority's investments:

- Short-term investments (including Local Authorities) – 4.1%
- Investments in the Ninety One (Investec) Diversified Income Fund – 3.4%
- Investment in the CCLA (Churches, Charities and Local Authorities) – Lamit Property Fund – 4.2%

3.5.2 The average return mentioned above is 3.9%, which is slightly higher than the 4.0% assumed in the 2025/26 Budget Setting Report. However, interest rates have been rising during this period, and it is forecasted that the average interest rates will exceed 4.0% over the entire financial year.

3.5.3 The Authority's budgeted investment income for the year was set at £0.66m. Projected income for the year is currently £1.088m. This increase is due to the later fall in interest rates this year than anticipated, despite average cash balances held having been slightly lower than estimated.

3.6 **Outlook for the remainder of 2025 / 26**

3.6.1 Interest rate forecasts provided by Link Group are detailed at **APPENDIX 2**.

3.7 **Compliance with Prudential Indicators and Treasury Management Strategy**

3.7.1 The Prudential Indicators for 2025 / 26, which were set on 15 February 2024 as part of the Treasury Management Strategy Statement shown at **Table 1** above have been complied with to date, except for some brief breached bank limits that occurred on the Council's current account, disclosed below.

**Table 2 – Counterparty Limit Breaches**
No counterparty breaches during the first half of the year.

3.7.2 The Section 151 Officer reports that all treasury management activities carried out during the reviewed half-year fully complied with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy, except for the items mentioned above. The Council's Treasury Management Prudential Indicators are detailed at **APPENDIX 3**.

## 4. CONCLUSION

4.1 In compliance with the CIPFA Code of Practice, this report provides Members with a summary of treasury management activity during the first half of 2025 / 26. As indicated in this report, only one prudential indicator was briefly breached. A prudent approach has been taken in investment activities, prioritising security and liquidity over yield.

## 5. IMPACT ON PRIORITIES AS SET OUT IN THE CORPORATE PLAN 2023 - 2027

5.1 **Smarter finances**

5.1.1 The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with high credit quality financial institutions, referring to the Link suggested creditworthiness approach, including a minimum sovereign credit rating.

## 6. IMPLICATIONS

(i) **Impact on Customers** – None identified.

(ii) **Impact on Equalities** – None identified.

(iii) **Impact on Risk (including Fraud implications)** – None identified.

(iv) **Impact on Resources (financial)** – Income is projected to exceed the Council's budgeted figure (£664,300) by c£300 in 2025 / 26.

(v) **Impact on Resources (human)** – None identified.

(vi) **Impact on Devolution / Local Government Reorganisation** – None.

Background Papers: None.

Enquiries to: Tom Mulloy, Interim Lead Finance Specialist.