Blaby District Council

Cabinet Executive

Date of Meeting	1 September 2025
Title of Report	**Quarter 1 Treasury Management update 2025/26**
	This is not a Key Decision and is on the Forward Plan
Lead Member	**Cllr. Cheryl Cashmore – Finance, People & Performance**
Report Author	Finance Group Manager
Strategic Themes	Ambitious and well managed Council, valuing our people

1. What is this report about?

1.1 This report provides Members with an update on the Council's treasury activities for the quarter ended 30th June 2025, and the economic factors that have affected those activities.

1.2 The report also demonstrates compliance with the prudential indicators that were approved by Council on 25th February 2025.

2. Recommendation(s) to Cabinet Executive

2.1 That the latest position in respect of treasury activities, and the prudential indicators, are accepted.

3. Reason for Decisions Recommended

3.1 The 2023/24 edition of the Prudential Code added a requirement for quarterly reporting of treasury management activities and prudential indicators. Whilst quarters 1 and 3 do not need to be formally reported to full Council, there is an implicit understanding that they should be adequately scrutinised by Cabinet Executive.

4. Matters to consider

4.1 Background

The Chartered Institute of Public Finance Accountancy (CIPFA) Code of Practice for Treasury Management 2021 recommends that Members are updated on treasury management activities at least quarterly. This report, therefore, ensures that the Council is following best practice in accordance with the Code. The financial year 2025/26 is the third year in which Cabinet will receive quarterly treasury updates.

Whilst it is a requirement of the Code that the annual and mid-year reports on treasury activity must be ratified by full Council, the reports for the first and third quarters of the financial year only need to be presented to Cabinet.

4.2 Economic Update

The economic update for the first quarter of 2025/26, provided by MUFG Corporate Markets, the Council's treasury management advisors, is included at Appendix A.

It should be noted that changes to the UK economy, and their resulting implications for the Council's treasury activities, can often be fast-paced and, therefore, some of the economic data may be partially out of date by the time it is reported.

There were two Monetary Policy Committee (MPC) meetings this quarter. In May, the Committee cut Bank Rate from 4.50% to 4.25%, while in June policy was left unchanged.

4.3 Interest Rate Forecasts

The Council has appointed MUFG Corporate Markets as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates.

The latest forecast as at 10th February 2025 is shown at Appendix B.

MUFGs view is that the monetary policy is sufficiently tight at present to cater for some further moderate loosening, the extent of which, however, will continue to be data dependent. As can be seen in Appendix B, the forecast is that the next reduction in Bank Rate will be made in November and for a pattern to evolve whereby rate cuts are made quarterly and in keeping with the release of the Bank's Quarterly Monetary Policy Reports (February, May, August and November). Any movement below a 4% Bank Rate will, nonetheless, be very much dependent on inflation data releases in the coming months.

4.4 Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2025/26, which includes the Annual Investment Strategy, was approved by the Council on 25th February 2025. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Council's investment priorities as being:

- Security of capital
- Liquidity
- Yield

The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity, aligned with the

Council's risk appetite. In the current economic climate, over and above keeping investments short-term to cover cash flow needs, there is a benefit to seeking out value available in periods up to 12 months with high credit rated financial institutions, using the MUFG Corporate Markets suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.

Investment rates have started to taper downwards during the first quarter of 2025/26 and are expected to fall back further if inflation falls through 2025 and 2026 and the MPC loosens monetary policy more substantially.

Creditworthiness
There have been few changes to credit ratings over the quarter under review. However, officers continue to closely monitor these, and other measures of creditworthiness to ensure that only appropriate counterparties are considered for investment purposes.

Investment counterparty criteria
The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

CDS prices
For UK and international banks, these have remained low, and prices are not misaligned with other creditworthiness indicators, such as credit ratings. Nevertheless, it remains important to undertake continual monitoring of all aspects of risk and return.

Investment balances
The funds available for investment purposes on 30th June were just under £27.1m. These were a mixture of temporary, cashflow funds where the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the capital programme, and longer-term core funds.

In terms of investment performance, the Council measures its rate of return against the Sterling Overnight Index Averages (SONIA). The following table reflects the backward-looking benchmark, which reflects where the market was positioned when investments were placed.

Financial year to quarter ended 30th June 2025

	Bank Rate	SONIA	7 day	30 day	90 day	180 day	365 day
High	4.50	4.46	4.46	4.47	4.58	4.73	5.02
Low	4.25	4.21	4.21	4.22	4.34	4.48	4.79
Average	4.35	4.31	4.33	4.36	4.46	4.61	4.91
Spread	0.25	0.25	0.25	0.25	0.24	0.25	0.23

The Council’s budget for in-house investment income in 2025/26 profiled to Quarter one is £275k (£1.1m full year). On 30th June, the Council had already secured a return of £305k.

The investment with Lothbury Property Trust was wound up on 30th May 2024, the assets are being disposed of and distributions made to investors. The Councils investment is being transferred to UBS Triton property fund LP. As at 30th June 2025 the remaining balance with the Lothbury Fund still to be distributed was £57,057, the investment value of UBS Triton on the same date was £692,394.

Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 30th June 2025.

4.5 Borrowing

The Council can raise cash through borrowing to fund expenditure on its capital programme. The amount of borrowing needed each year is determined by capital expenditure plans, the underlying borrowing requirement, the availability of other capital resources, and prevailing economic conditions.

In Quarter 1 of 2025/26 no new borrowing has been undertaken. However there has been scheduled loan repayments of £750,000, meaning that the outstanding debt is £4,107,601 on 30th June 2025.

For a number of years, the Council has been an internally borrowed cash position, and balances will need to be replenished at some point in the future, subject to expenditure demands. This strategy is prudent whilst investment rates are lower than borrowing rates and also serves to mitigate counterparty risk. In the short-term it is planned to maintain internal borrowing, but officers will closely monitor the reserves, balances and cashflows that support this position.

No rescheduling of borrowing was undertaken in the first quarter.

4.6 Compliance with Treasury and Prudential Limits

The Council’s treasury and prudential indicators are shown in Appendix D.

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the quarter ended 30th June 2025, the Council has operated within the treasury and prudential indicators set out in the Council’s Treasury Management Strategy.

All treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices.

4.7 Relevant Consultations

The Council's Treasury Management advisors MUFG Corporate Markets Treasury Limited (previously named Link Treasury Services Limited) have been consulted in the drafting of this report.

4.8 Significant Issues

None

In preparing this report, the author has considered issues related to Human Rights, Legal Matters, Human Resources, Equalities, Public Health Inequalities and there are no areas of concern.

5. Environmental impact

5.1 There is no direct environmental impact arising from this report. However, the Council continues to utilise sustainable investment opportunities in line with its approved investment criteria.
No Net Zero and Climate Impact Assessment (NZCIA) is required for this report.

6. What will it cost and are there opportunities for savings?

6.1 Treasury management decisions and activities are driven by the capital programme and the Council's overall financial position and will impact on the interest payable and receivable budgets which are included in the quarterly budget monitoring report elsewhere on the agenda.

7. What are the risks and how can they be reduced?

7.1

Current Risk	Actions to reduce the risks
That external borrowing might not be undertaken at the most advantageous rate	Treasury officers maintain regular contact with the Council's advisors, MUFG Corporate Markets Treasury Limited, who monitor movements in interest rates on our behalf. The aim is always to drawdown loans when interest rates are at their lowest point.
Credit risk – the risk that other parties might fail to pay amounts due, e.g., deposits with banks etc.	The Annual Investment Strategy sets the criteria through which the Council decides with whom it may invest. The lending list is updated regularly to reflect changes in credit ratings.
Liquidity risk – the Council might not have sufficient funds to meet its commitments	Daily monitoring of cash flow balances. Access to the money markets to cover any short-term cash shortfall.

Refinancing and maturity risk – the risk that the Council might need to renew a loan or investment at disadvantageous interest rates	Monitoring of the maturity profile of debt to make sure that loans do not all mature in the same period. Monitoring the maturity profile of investments to ensure there is sufficient liquidity to meet day to day cash flow needs.
Market risk – losses may arise because of changes in interest rates etc	Maximum limits are set for exposure to fixed and variable interest rates. The Finance team will monitor market rates and forecast interest rates to limit exposure
Loss on the Property Fund investment if property values continue to fall	The Property Fund should be seen as a longer-term investment where the value of the fund can fluctuate both upwards and downwards. Historically, property prices tend to rise over time. Due to concerns reported to Council in 2024 and the winding up of the Lothbury Property Fund, the move to the UBS Triton Property Fund LP was instigated.

8. Other options considered

8.1 None, this report is a requirement of the 2025/26 Prudential Code.

9. Appendix

9.1 Appendix A – Economic Update

9.2 Appendix B – Interest Rate Forecast

9.3 Appendix C – Investments Held at 30th June 2025

9.4 Appendix D – Treasury and Prudential Indicators

10. Background paper(s)

10.1 None

11. Report author's contact details

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