



## **1. EXECUTIVE SUMMARY**

- 1.1** This report provides a quarterly update to the Audit and Governance Committee of the Council's performance against its Treasury Management Indicators. The indicators set out below are used to monitor the Council's performance against the prudential indicators approved by Council prior to the start of the financial year.
- 1.2** The Council has complied with all limits and indicators set at the end of the first quarter of 2025/26

## **2. BACKGROUND**

- 2.1** The Council's treasury management strategy for 2025/26 was approved at a full Council meeting on 24 February 2025. The Council has 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.
- 2.2** The Council 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 Authority to approve, as a minimum, treasury management semi-annual and annual outturn reports.
- 2.3** Audit and Governance Committee have responsibility for reviewing and monitoring treasury management arrangements in accordance with the CIPFA Treasury Management Code and receiving performance reports.
- 2.4** The 2021 Treasury Management Code introduced a new requirement from 1 April 2023 that monitoring of treasury and non-treasury management prudential indicators should be reported quarterly as part of the Council's general revenue and capital monitoring.
- 2.5** Non treasury management prudential indicators were reported to Cabinet in September 2025 within Annex B of the quarter one financial performance report.



### 3. COMPLIANCE

- 3.1** The Deputy Chief Executive and S151 Officer reports that all treasury management activities undertaken during the quarter complied fully with the principles in the Treasury Management Code and the Council's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 1 below.

Table 1: Investment limits

Investment Limits Qtr1	2025/26 Maximum (£)	30/06/2025 Actual (£)	2025/26 Counterparty Limit (£)	2025/26 Sector Limit (£)	Complied?
The UK Government	0	7,650,000	Unlimited	n/a	Yes
Local authorities & other government	0	0	3,000,000	Unlimited	Yes
Secured Investments*	0	0	3,000,000	Unlimited	Yes
Banks (Secured)*	3,000,000	2,781,000	3,000,000	Unlimited	Yes
Building Societies (Unsecured)*	0	0	2,000,000	10,000,000	Yes
Registered providers (Unsecured)*	0	0	5,000,000	10,000,000	Yes
Money Market Funds*	9,000,000	9,000,000	3,000,000	Unlimited	Yes
Strategic pooled funds	11,500,000	11,500,000	4,000,000	20,000,000	Yes
Real Estate Investment Trusts	1,000,000	1,000,000	3,000,000	20,000,000	Yes
Other Investments*	0	0	£1m-£3m	10,000,000	Yes

*\*Investments in these sectors will only be made with entities whose lowest published long-term credit rating is no lower than A-*



#### **4. TREASURY MANAGEMENT PRUDENTIAL INDICATORS**

**4.1** As required by the 2021 CIPFA Treasury Management Code, the Council monitors and measures the following treasury management prudential indicators.

##### **Liability Benchmark**

**4.2** This indicator compares the Council's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future and so shape its strategic focus and decision making. It represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level of £13m, dropping to £11m in 2027/28, required to manage day-to-day cash flow.

Table 2: Liability benchmark

\*A negative liability benchmark indicates that the Council would be able to fund borrowing 'internally' from balance sheet resources rather than needing to externally borrow.

<b>Liability benchmark - Q1</b>	<b>31/03/2025 Actual (£m)</b>	<b>31/03/2026 Forecast (£m)</b>	<b>31/03/2027 Forecast (£m)</b>	<b>31/03/2028 Forecast (£m)</b>
Loans CFR	0.36	0.47	2.97	2.57
Less: Balance sheet resources	(22.23)	(22.80)	(17.14)	(10.85)
<b>Net loans requirement</b>	<b>(21.87)</b>	<b>(22.33)</b>	<b>(14.17)</b>	<b>(8.28)</b>
Plus: Liquidity allowance	13.00	13.00	13.00	11.00
<b>Liability benchmark</b>	<b>(8.87)</b>	<b>(9.33)</b>	<b>(1.17)</b>	<b>2.72</b>
<b>Existing borrowing</b>	<b>0.26</b>	<b>0.16</b>	<b>0.06</b>	<b>-</b>



**Long-term Treasury Management Investments:**

- 4.3** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management limits are:

Table 3: Long-term Treasury Management Investments:

<b>Long Term Q1</b>	<b>2025/26 (£)</b>	<b>2026/27 (£)</b>	<b>2027/28 (£)</b>	<b>No fixed date (£)</b>
Limit on principal invested beyond year end	13,000,000	13,000,000	13,000,000	13,000,000
Actual principal invested beyond year end at 30.06.2025	£0	N/A	N/A	12,500,000
Complied?	Yes	N/A	N/A	Yes

- 4.4** Long-term investments with no fixed maturity date include strategic pooled funds, real estate investment trusts and directly held equity but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

**Additional Indicators**

- 4.5 Security:** The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Table 4: Portfolio average credit rating

	<b>2025/26 Target</b>	<b>30/06/2025 Actual</b>	<b>Complied?</b>
Portfolio average credit rating	A-	AA-	Y

- 4.6 Interest Rate Exposures:** This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year impact of a 1% rise or fall in interest rates will be:



Interest rate risk indicator	2025/26 Target	30.6.25 Actual	Complied?
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	-£0.18m	-£0.02m	Yes
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£0.18m	£0.02m	Yes

For context, the changes in interest rates during the quarter were:

	<u>01/04/25</u>	<u>30/06/25</u>
Bank Rate	4.50%	4.25%
1-year PWLB certainty rate, maturity loans	4.82%	4.50%
5-year PWLB certainty rate, maturity loans	4.94%	4.70%
10-year PWLB certainty rate, maturity loans	5.38%	5.27%
20-year PWLB certainty rate, maturity loans	5.88%	5.88%
50-year PWLB certainty rate, maturity loans	5.63%	5.71%

## **5. FINANCIAL IMPLICATIONS**

**5.1** As outlined in body of report.

## **6. LEGAL IMPLICATIONS**

**6.1** No Legal Implications.

## **7. RISK ASSESSMENT**

**7.1** None.

## **8. EQUALITIES IMPACT**

**8.1** None.

## **9. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS**

**9.1** None.

## **10. BACKGROUND PAPERS**



**COTSWOLD**  
District Council

**10.1** None.