

<b>Report Title</b>	Treasury Management 2025/26 Quarter 3 Monitoring Report
<b>Meeting</b>	Accounts & Audit Committee
<b>Meeting Date</b>	27 <sup>th</sup> January 2026
<b>Report Author</b>	Karen Spencer (Director of Resources)
<b>Directorate</b>	Resources (Finance)
<b>Lead Executive Member(s)</b>	Leader's Portfolio, Cllr D Whipp
<b>Wards Affected</b>	All
<b>Public. Part Exempt, or Fully Exempt</b>	N/A
<b>Appendices</b>	<p>Appendix A - PWLB long-term debt portfolio as of 31<sup>st</sup> December 2025.</p> <p>Appendix B - Maturity profile of PWLB long-term debt as of 31<sup>st</sup> December 2025</p> <p>Appendix C - Approved Counterparty Lending List as of 31<sup>st</sup> December 2025.</p>

## 1. Executive Summary

- 1.1 The purpose of this report is to advise the Committee of the treasury management activities of the Council for the third quarter of 2025/26.

## 2. Recommendations

**For the reasons set out in this report, the ACCOUNTS & AUDIT COMMITTEE is recommended to:**

- 2.1 Note the work on the Council's treasury management activities in the period 1st October 2025 to 31st December 2025.

## 3. Information: the Rationale & Evidence for the Recommendations

- 3.1 The Council's Treasury Management function is concerned with the management of the Council's debt, investments, cash-flow, and banking arrangements. These activities are regulated by a variety of professional codes, statute and guidance. The Council's Treasury Management Policy requires that at least twice a year, a report be submitted to the Executive Committee on the Council's treasury management activities. It also represents good practice to report on the treasury activities to the Accounts & Audit Committee. This report

provides a summary view of the activity undertaken in the quarter ending 31<sup>st</sup> December 2025 in relation to debt and investment.

- 3.2 The Local Government Act 2003 requires the Council to approve the Treasury Management Strategy Statement (TMSS) and Annual Investment Strategy (AIS) in advance of the municipal year. The TMSS incorporating the AIS, and MRP Policy Statement were approved by the Council at its meeting of 27<sup>th</sup> March 2025.
- 3.3 The contribution the treasury management function makes to the Council is critical as the balance of debt and investment operations ensures liquidity, or the ability to meet spending commitments as they fall due either on the day-to-day revenue or for larger capital projects.
- 3.4 Treasury management activities are undertaken within the Council's Treasury Management Policy (and Strategy Statement) and where necessary, advice is sought from MUFG (formerly Link Asset Services) who are engaged as the Council's external advisors. The revenue budgets associated with treasury management activity, namely debt charges (comprising interest and provision for principal repayment) and investment income are monitored on an ongoing basis and reported to Corporate Leadership and the Executive Committee.

### **Long Term Borrowing**

- 3.5 At the beginning of the 2025/26 financial year, the Council held loans of £18.359m, at an average interest rate of 2.89%, comprised wholly of Public Works Loan Board (PWLB) debt.
- 3.6 No additional borrowing has been undertaken during the third quarter of 2025-26. Rates are continually under review, with officer considerations taking into account the Council's borrowing requirement and the need to support the Council's underlying need to borrow to finance the Capital Programme (including borrowing for slippage carried forward from previous years). As part of the forward look for the 2025/26 budget and the medium-term financial plan (MTFP), a review of the Capital Programme and the Capital Financing Requirement (CFR) was undertaken. To this end, Council approved the new Capital Programme at its meeting on 27<sup>th</sup> February 2025.
- 3.7 At the time of this report, the Council has PWLB loan debt of £18.359m at an average interest rate of 2.82% as of 31<sup>st</sup> December 2025. An analysis of this long-term debt is provided in [Appendix A](#) with a maturity profile provided in [Appendix B](#). Decisions on long-term borrowing, such as timing and amount, also impact the revenue budget as assumptions on external debt repayments are made within the MTFP. There are no other items of outstanding long-term borrowing which we need to bring to the Committee's attention.
- 3.8 We can report that the borrowing position is within the boundary limits set and approved as part of the TMSS and AIS.

## Temporary (or Short Term) Borrowing

3.9 Temporary borrowing relates to loans which are repayable:

- a) without notice.
- b) At less than 12 months' notice; or
- c) Within 364 days of the date of borrowing.

3.10 During the period under consideration, the Council has not undertaken any short-term borrowing.

## Temporary (or Short Term) Investments

3.11 The Council's cash-flow position is generally such that it has scope to undertake short-term investing activity relating to surplus funds, i.e. as represented by balances, reserves etc. more than required working cash / capital. In line with recent trends, and as reported, the Council continues to adopt a more reserved approach to investing surplus funds; choosing to keep cash in instant access accounts or invest short-term in highly liquid opportunities. The Council started the year with investments of £33.10m. The balance of investments as of 31<sup>st</sup> December 2025 was £31.45m. The table below summarises the investment transactions that have taken place since the previous quarter:

	£m	No.
Opening balance of Investments 1 <sup>st</sup> April 2025	33.100	11
New Investments	204.700	142
Investments Realised	(206.350)	(134)
<b>Balance of Investments on 30<sup>th</sup> September 2025</b>	<b>31.450</b>	<b>19</b>

3.12 The 19 investments comprising the balance of £31.45m were placed within the following sectors:

Sector	£m	%
Local Authorities (Principal Councils (1))	6.000	19.08
Public Sector Deposit Fund (CCLA Money Market Fund)	3.000	9.54
UK Government	17.000	54.05
UK Banks	5.450	17.33
UK Building Societies	0.000	0.00
	<b>31.450</b>	<b>100.00</b>

3.13 The composition of the investment balances is as follows:

Deposit Type	£m	Interest rate / range	Duration
Fixed Term Deposits	12.500	3.710% - 4.050%	<90 days
Fixed Term Deposits	9.000	3.805% - 4.200%	90 - 180 days

Fixed Term Deposits	1.500	3.920%	>180 days
Instant Access/MMF/Call accounts	8.450	3.510% - 3.906%	N/A
	<b>31.450</b>		

- 3.14 Unlike interest rates for borrowing, rates for short term investments are generally considered to track more closely to the prevailing Bank of England (BoE) rate. The Bank of England cut its base rate from 3.75% to 3.50% at the MPC meeting on 18<sup>th</sup> December 2025. Market expectations have changed with no more bank rate reductions till the 2026-27 financial year. The table below shows MUFG's view of the bank rate as at the end of this quarter ending 31<sup>st</sup> December 2025.

Interest Rate Forecasts								
Bank Rate	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
MUFG CM	3.75%	3.50%	3.50%	3.25%	3.25%	3.25%	3.25%	3.25%
Cap Econ	3.50%	3.50%	3.25%	3.00%	3.00%	3.00%	3.00%	3.00%

- 3.15 In terms of the relative performance of the Council's investment portfolio, the average rate of return across the period under consideration was 4.107%, i.e. 1<sup>st</sup> April 2025 to 31<sup>st</sup> December 2025 (4.194% end of last quarter). The approved TMSS noted that the expectation for interest earning rates for 2025/26 were 3.50% which tracks against the current expectations of the treasury management function and MUFG. In monetary terms, interest of £1.07m has been earned against a revised budget figure of £937k for the quarter ending 31<sup>st</sup> December 2025. This is largely due to unspent grant income that the Council holds which mainly comprises of 'Nelson Towns Fund'.
- 3.16 Return on the investment (ROI) of surplus funds is a Key Performance Indicator (KPI) of the Council and performance will continue to be monitored monthly and reported quarterly.
- 3.17 There have been no breaches of the counter-party limits during this quarter with either the Council's bankers, Lloyds, or with the Council's approved Counterparties as set out in the approved Counter-Party Lending List. See [Appendix C](#) for the current list.

### External Advice and Training from MUFG

- 3.18 Council Officers had meetings with MUFG Advisors on 15<sup>th</sup> July 2025 to discuss the latest Balance Sheet Review and the latest economic outlook and how this will impact Pendle Borough Council's treasury management activities. The Council is currently under-borrowed. However, due to a combination of high cash balances and elevated PWLB rates, it has ability to wait and see before having to make any additional borrowing to fund the capital programme. The capital programme is continually monitored to keep under review future financing needs.
4. **Link to Council Plan Priorities: (Providing High Quality Services and Facilities, Proud and Connected Communities and Places, Good Growth and Housing and Healthy Communities)**

- 4.1 The report seeks to inform councillors of the Council's position with regards to its treasury management activities in the previous quarter to fulfil Priority 1 in the Action Plan 2025-26 (High-Quality Services and Facilities) – financial resilience.

## **5. Implications**

### **5.1 Financial Implications**

The Financial implications arising are as set out in this report.

### **5.2 Legal and Governance Implications**

The Legal and Governance implications arising are as set out in this report.

### **5.3 Climate and Biodiversity Implications**

There are no Climate and Biodiversity implications arising directly from the contents of this report.

### **5.5 Human Resources Implications**

There are no Human Resources implications arising directly from the contents of this report.

### **5.6 Equality and Diversity Implications**

There are no Equality and Diversity implications arising directly from the contents of this report.

## **6. Consultation**

- 6.1 N/A.

## **7. Alternative Options Considered**

N/A.

## **8. Statutory Officer Sign off (please tick)**

Section 151 Officer	✓
Monitoring Officer	✓

## **9. Background Documents**

N/A.

**Contact Officers**

Author noted on report header.

## Appendix A –

### PWLB Long-term Debt Portfolio

Position as at 31/12/25

Start Date	Maturity Date	Years to Maturity	Total Debt 31/12/2025	Interest Rate	Annual Interest Payable
		Years	£	%	£
23-Jul-07	31-Mar-53	27.25	1,859,166	4.75%	88,310
20-Aug-14	31-Mar-26	0.25	1,500,000	3.47%	52,050
09-Jan-15	31-Mar-30	4.25	1,500,000	2.82%	42,300
09-Jan-15	31-Mar-64	38.25	1,500,000	3.14%	47,100
14-Aug-15	31-Mar-62	36.25	1,000,000	3.07%	30,700
11-Feb-16	31-Mar-34	8.25	1,000,000	2.91%	29,100
07-Jul-16	31-Mar-63	37.25	1,000,000	2.14%	21,400
02-May-17	31-Mar-60	34.25	1,000,000	2.36%	23,600
02-May-17	31-Mar-61	35.25	1,000,000	2.35%	23,500
02-May-17	31-Mar-65	39.25	1,000,000	2.34%	23,400
09-Nov-18	31-Mar-44	18.25	1,000,000	2.78%	27,800
09-Nov-18	31-Mar-64	38.25	1,000,000	2.64%	26,400
19-Jun-19	31-Mar-49	23.25	1,000,000	2.28%	22,800
19-Jun-19	31-Mar-56	30.25	1,500,000	2.21%	33,150
17-Sep-19	31-Mar-34	8.25	1,500,000	1.76%	26,400
<b>TOTAL</b>			<b>18,359,166</b>		<b>518,010</b>

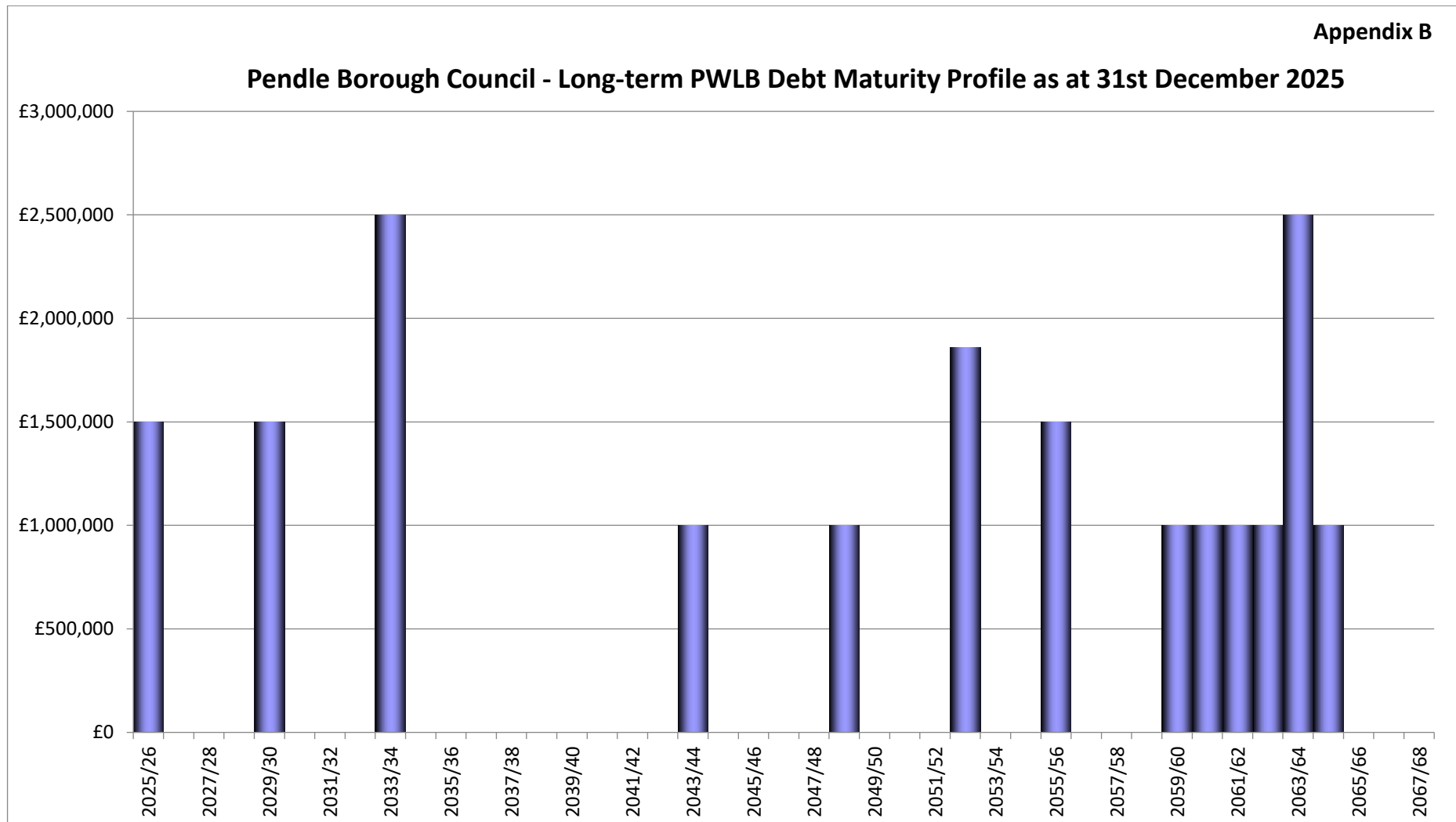
Average cost of long-term debt

2.82%

Average Life

25

## Appendix B –





## Appendix C –

Updated and approved as part of the Treasury Management Strategy Statement (TMSS) for 2025-26 by Council on 27th March 2025

### COUNTERPARTY LENDING LIST

	Counterparty	Type of Institution	Sovereign Rating	Long Term	Short Term	Group Limit £M	Individual Limit £M	Maximum Duration (Mths / Days)
	<i>Pendle BC's Minimum Ratings Criteria</i>	<i>(per Fitch)</i>		A-	F1			
1	UK Banks	Bank				5.000	5.000	up to 364 days
2	Royal Bank of Scotland Group					6.000		
3	Natwest Bank PLC	Bank	(AA)	A+	F1		3.000	up to 364 days
4	The RBS PLC	Bank	(AA)	A+	F1		3.000	up to 364 days
5	Lloyds Banking Group PLC					10.000		
6	Lloyds Bank PLC	Bank	(AA)	A+	F1		10.000	Liquid Funds
7	UK Local Authorities	All UK Principal Councils	(AA)	n/a	n/a		3.000	up to 6 months
8	Lancashire County Council	LCC Call-Account	(AA)	n/a	n/a		6.000	Liquid Funds
9	Debt Management Facility	UK Government	(AA)	n/a	n/a		Unlimited	up to 6 months
10	CCLA - PSDF	Money Market Fund	(AA)	AAA mmf			3.000	Liquid Funds
11	Nationwide	Building Society	(AA)	A	F1		5.000	up to 6 months
12	Coventry	Building Society	(AA)	A-	F1		5.000	up to 6 months
13	Leeds	Building Society	(AA)	A-	F1		5.000	up to 6 months

Additional Investments in UK Banks, Building Societies may be made providing that they meet the qualifying criteria as set out in Section 5.4 of the TMSS.