



west midlands
police and crime
commissioner



AGENDA ITEM 09

**JOINT AUDIT COMMITTEE
11 December 2025**

**2025-26 TREASURY MANAGEMENT UPDATE
REPORT TO 30 SEPTEMBER 2025**

1. PURPOSE OF REPORT

- 1.1 This report updates members on recent Treasury Management activity, in line with recommended best practice and the revised CIPFA Code of Practice for Treasury Management. The report provides a summary of macroeconomic factors and also an update of the Police and Crime Commissioner's (PCC) position. It is a mid-year report for the 2025-26 financial year.
- 1.2 It is important to note that financial information contained within this report should not be used by any individual or organisation as a basis for making investment or borrowing decisions. The PCC and their treasury advisers will not accept any liability on behalf of any individual or organisation who seeks to act on the financial information contained within this report.
- 1.3 This report has been written with support from the PCC's external treasury management advisors, MUFG Corporate Markets.

2. BACKGROUND

- 2.1 The PCC operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low-risk counterparties, providing adequate liquidity initially before considering optimising investment return.
- 2.2 The second main function of the treasury management service is the funding of the PCC's capital plans. These capital plans provide a guide to the borrowing need of the PCC, essentially the longer-term cash flow planning to ensure the PCC can meet its capital spending plan. This management of longer-term cash may involve arranging long or short-term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet PCC risk or cost objectives.

2.3 Accordingly, treasury management is defined as:

“The management of the PCC’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

2.4 CIPFA is currently consulting local authorities in respect of potential changes to the Codes. At this point in time, the focus seems to primarily be on the non-treasury investment aspects of activity. Update on any material developments/changes will be provided in due course.

3. ECONOMIC UPDATE & INTEREST RATE FORECASTS

3.1 The economic update below will influence how interest rates will move which will impact the rate at which the PCC can borrow and invest money.

3.2 The Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target, and in a way that helps to sustain growth and employment. There were four MPC meetings in the first half of the financial year where interest rates were cut from 4.50% to 4.25% in May, and then to 4% in August. At its latest meeting on 6 November 2025, the MPC voted to keep the Bank Rate at 4%.

3.3 With the November Budget edging nearer, Chancellor Rachel Reeves delivered a speech which has emphasised fiscal discipline and the need to bring down inflation and reduce national debt. This could include significant tax rises, to help support day-to-day spending and the rebuilding of public services, thus trimming GDP growth.

3.4 UK real gross domestic product (GDP) is estimated to have grown by 0.3% in April to June 2025. More recently, the economy flatlined in July, with higher taxes for businesses restraining growth. Looking ahead, there is ongoing speculation about further tax rises in the Autumn Budget on 26 November, which will slow GDP growth for a while yet. The expected growth for 2025 is forecast by Capital Economics to be 1.3%.

3.5 CPI inflation fell slightly from 3.5% in April to 3.4% in May but finished September at 3.8%, reaching a similar position to where it started. The Bank of England does not anticipate CPI getting to 2% until early 2027 due to wages still rising.

3.6 Based on the evolving evidence, a gradual and careful approach to removing policy restraint remains appropriate. The MPC will be wary of making any further rate cuts until inflation begins its slow downwards trajectory back towards 2%. This suggests another rate cut may be possible in February, aligning with the market sentiment.

Interest rate forecasts

3.7 MUFG Corporate Markets, provided the following interest rate forecasts on 23 October 2025:

Forecasts	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27
Bank Rate*	4.00	3.75	3.75	3.50	3.50	3.50	3.50	3.25
5 year PWLB	4.70	4.50	4.40	4.30	4.30	4.30	4.20	4.20
10 year PWLB	5.20	5.00	4.90	4.80	4.80	4.80	4.70	4.70
25 year PWLB	5.90	5.70	5.70	5.50	5.50	5.50	5.40	5.40
50 year PWLB	5.60	5.40	5.40	5.30	5.30	5.30	5.20	5.20

Note: PWLB is the Public Works Loans Board which is the main body through which the PCC borrows money against capital requirements. The rates shown in the table are for interest only loans over different loan periods, with the principal repayable as a lump sum at the end of the loan period.

4. ANNUAL INVESTMENT STRATEGY

- 4.1 The Treasury Management Strategy Statement (TMSS) for 2025-26 was approved by the PCC in March 2025. The PCC's Annual Investment Strategy which is included in the TMSS outlines the PCC's investment priorities as "security of capital, liquidity and yield" in that order.
- 4.2 The best possible return on investments will be pursued but only to the extent that this is consistent with the proper levels of security and liquidity. 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 of up to 12 months with high credit rated financial institutions, using the MUFG suggested creditworthiness approach which includes daily credit rating updates.
- 4.3 Due diligence is undertaken for all investments made including those with Local Authority bodies. A summary of the investments/cash position held at 30.09.2025 is shown below:

Investment	£m
Instant Access	26.3
Money market Funds	15.0
Investments	187.0
Property Fund	5.0
Total	233.3

- 4.4 A full list of investments held as of 30 September 2025 is shown in **Appendix 1**. This is high because the PCC received the full year's police pensions top up grant of £112m in July 2025, (£121m July 2024).
- 4.5 The average cumulative interest rate achieved on investments made in the first half of 2024-25 is currently 4.39% which compares with 3.97% for the SONIA rate (Sterling Overnight Index Average).
- 4.6 The PCC's forecast investment return for 2025-26 is £7.4m. This is higher than budgeted (£5m) due to the interest rates falling at a slower pace than anticipated. This is reflected in the forecast.
- 4.7 MMF's have been utilised by the PCC to increase liquidity in 2025-26. Currently £15m is invested with three MMFs and they are carrying an average rate of return of 4.09%.

These investments have no maturity date and are repayable on demand (without any charges or penalties).

- 4.8 In the first half of the financial year, the £5m investment in the CCLA property fund returned gross dividends of £111k. The fund aims to provide a high level of income and capital growth over the long-term (defined as 5 years). Income will continue to be the key driver of total returns from property. Over the second quarter the fund's total return (taking income and capital together) was +1.28% compared with a return on the comparator benchmark of +1.57% (the comparator benchmark is MSCI/AREF UK Other Balanced Open-Ended Quarterly Property Fund Index which provides an independent view of current market performance and the performance of the funds active within it).
- 4.9 Investment returns to end of September 2025 (i.e. interest received):
- Investments (Banks, Building Societies and Local Authorities) £1.1m
 - Money market funds £640k
 - Property Funds £111k
- 4.10 The Natwest current account has also received interest from April to September this year, £100k at an average rate of 1.40%. During the same period last year, the account received interest of £195k at an average rate of 1.26%. With better cashflow forecasting, we have been able to invest surplus cash in other investments with better rates of return.
- 4.11 There are no breaches to the Treasury Management Statement Strategy to report.

5 PRUDENTIAL INDICATORS

- 5.1 It is a statutory duty for the PCC to determine and keep under review the affordable borrowing limits that were part of the Prudential Indicators agreed in the Treasury Management Strategy Statement (TMSS) approved in March 2025.
- 5.2 The Prudential Indicators were not breached during the first 6 months of 2025-26, as shown in the table below:

<i>Prudential Indicator</i>	<i>2025-26 Indicator</i>	<i>Actual to 30.09.25</i>
Capital Financing Requirement (CFR)	£86.5m	£85.9m
Gross Borrowing	£82.3m	£82.3m
Other Long-term Liabilities*	£7.3m	£7.3m
Authorised Limit for External Debt	£120m	£89.6m
Operational Boundary for External Debt	£115m	£89.6m
Limit of Fixed Interest Rates based on Net Debt	100%	100%
Limit of Variable Interest Rates based on Net Debt	20%	0%

* Includes lease liabilities recognised under IFRS 16.

<i>Maturity Structure of Borrowing Limits</i>	<i>2025-26 Indicator</i>	<i>Actual to 30.09.25</i>
Under 12 Months	25%	2%
12 Months to 2 Years	25%	0%
2 Years to 5 Years	50%	9%
5 Years to 10 Years	75%	0%
10 Years and Above	100%	89%

5.3 Majority of the PCC's borrowing has been obtained from the PWLB as shown in **Appendix 2**. There was some additional borrowing made during early August 2025 and early September 2025 which is also shown in **Appendix 2**.

6 RECOMMENDATIONS

6.1 The Committee is recommended to note the report which complies with the CIPFA Code of Practice for Treasury Management.

Jane Heppel
Chief Finance Officer
Police and Crime Commissioner

Peter Gillett
Director of Commercial Services
West Midlands Police

Appendix 1

INVESTMENTS AND BALANCES AS AT 30/09/2025

Maturity	Counterparty	Type	Principal (£)	Rate (%)
03-Oct-25	Stockport Metropolitan BC	LA	10,000,000	4.20
07-Oct-25	South Lanarkshire Council	LA	10,000,000	4.80
07-Oct-25	Cornwall Council	LA	15,000,000	4.25
09-Oct-25	Cheshire East Council	LA	10,000,000	4.25
13-Oct-25	Blackpool Borough Council	LA	5,000,000	4.80
15-Oct-25	Stockport Metropolitan BC	LA	10,000,000	4.20
16-Oct-25	Eastleigh Borough Council	LA	15,000,000	4.75
24-Oct-25	Cheshire East Council	LA	15,000,000	4.22
27-Oct-25	Blackpool Borough Council	LA	10,000,000	4.80
10-Nov-25	Lancashire County Council	LA	5,000,000	5.15
28-Nov-25	Blackpool Borough Council	LA	12,000,000	4.20
02-Dec-25	City of Kingston Upon Hull	LA	5,000,000	4.20
07-Jan-26	Surrey County Council	LA	10,000,000	4.20
07-Jan-26	Surrey County Council	LA	10,000,000	4.23
08-Jan-26	Liverpool City Council	LA	10,000,000	4.55
08-Jan-26	Kingston Upon Hull	LA	10,000,000	4.20
25-Feb-26	Lancashire County Council	LA	5,000,000	4.25
19-Mar-26	Surrey County Council	LA	10,000,000	4.25
02-Apr-26	Lancashire County Council	LA	10,000,000	4.30
On demand	Money market Fund (MMF's)	MMF	15,000,000	4.09
5 to 10 years	CCLA Property fund	Property	5,000,000	4.76
On demand	NatWest	Instant Access	26,300,000	1.70
	Total		233,300,000	

BORROWING – AS AT 30 SEPTEMBER 2025**1. LONG TERM EXTERNAL BORROWING - PWLB**

Principal	Interest rate	Annual Interest	Start date	Maturity
2,000,000	6.625%	132,500.00	15/10/1997	15/10/2025
7,000,000	3.990%	279,300.00	30/11/2022	30/11/2027
5,587,000	4.450%	248,621.50	28/06/2006	15/06/2056
8,200,000	4.350%	356,700.00	26/03/2007	01/03/2057
2,000,000	4.875%	97,500.00	03/09/2001	01/09/2061
10,000,000	2.640%	264,000.00	07/12/2018	07/12/2068
10,000,000	2.540%	254,000.00	10/12/2018	10/12/2068
5,000,000	2.370%	118,500.00	12/02/2019	12/02/2069
10,000,000	2.160%	216,000.00	28/03/2019	28/03/2069
15,000,000	1.630%	244,500.00	08/10/2019	08/10/2069
7,500,000	2.070%	155,250.00	14/03/2022	14/03/2072
82,287,000		2,366,871.50		

Average rate of interest payable is 2.80% all of which is at a fixed rate.

2. TEMPORARY EXTERNAL BORROWING

Principal	Lender	Interest rate	Annual Interest	Start date	Maturity
3,000,000	Merseyside Fire & Rescue Authority	4.15%	2,046.58	01/08/2025	07/08/2025
4,000,000	Vale of White Horse District Council	4.20%	2,761.64	01/08/2025	07/08/2025
5,000,000	South Cambridgeshire District Council	4.20%	1,150.68	01/09/2025	03/09/2025
12,000,000			5,958.90		

Average rate of interest payable is 4.18% all of which is at a fixed rate.