



The Police, Fire and Crime Commissioner for Cumbria
 Treasury Management Activities 2025/26 Quarter 3
 for the period 01 October 2025 to 31 December 2025



Executive Board Police 25/02/26 and Joint Audit Committee 25/03/26



**Cash flow
Balances**

Quarter average daily
balance - £36.393m

 Investment balance @
31/12/25 £27.939

Investment Strategy

Category	Category Limit (£m)	Investments at 30 Sep (£m)	Compliance with Limit
Banks Unsecured	20	9.770	Yes
Government (inc LA)	Unlimited	11.780	Yes
Registered Providers	10	0.000	Yes
Pooled Funds	20	6.389	Yes
Total		27.939	

There have been no breaches in the approved limits to report during the reporting period.



Borrowing Strategy

As a result of inflationary pressures on the budget, the decision was taken to reduce revenue contributions to capital by £3m p.a. and to replace this with borrowing as a means of balancing the revenue budget. It is anticipated in 2025/26 borrowing may become necessary; however, this will be internal borrowing.



**Investment
Interest Forecast**

Budget - £1.030m

 Current Estimate -
£1.221m

Performance Indicators

	Number of Days	Average Balance £	Largest Balance £
Quarter 3			
Days In Credit	92	65,487	250,086
Days Overdrawn	0	0	0

Average interest rate earned – 3.80%
 Average bank base rate – 3.97%
 (Current bank base rate – 3.75%)

Treasury and Prudential Indicators

During the period 01 October 2025 and 31 December 2025, the treasury function has operated within the treasury and prudential indicators set out in the Treasury Management Strategy Statement and in compliance with the Treasury Management Practices.

Compliance with the prudential and treasury indicators are shown on page 4.

Economic Outlook and Treasury position for the quarter ended 31 December 2025

Base Rate Estimates	2025/26 %	2026/27 %	2027/28 %
Quarter 1	4.25	3.75	3.25
Quarter 2	4.00	3.50	3.25
Quarter 3	4.00	3.50	3.25
Quarter 4	3.75	3.25	3.25

The third quarter of 2025/26 saw:

- A -0.1% month on month change in real GDP in October, leaving the economy no bigger than at the start of April.
- CPI inflation fall sharply from 3.6% to 3.2% in November, with core CPI inflation easing to 3.2%.
- The Bank of England cut interest rates from 4.00% to 3.75% in December, after maintaining the rate in November.

CPI inflation fell sharply in November, easing from 3.6% in October to 3.2%. This was the third consecutive softer-than-expected inflation outturn and suggests that disinflation is well underway. There was a widespread easing in price pressures with inflation slowing in 10 of the 12 main categories. Core inflation fell from 3.4% to 3.2% and services inflation dipped from 4.5% to 4.4%. However, a great deal will depend on the adjustments to regulated and indexed prices scheduled for next April. Capital Economics forecast CPI inflation to drop from 3.2% in March 2026 to 2.0% in April, thereby leaving inflation on track to settle at the 2.0% target, or below, by the end of 2026.

There have been six Monetary Policy Committee meetings held between April and December 2025, with 3 rate cuts of 0.25% each in May, August and December. At the December meeting, with November CPI inflation having fallen to 3.2%, and with Q2 GDP revised down from 0.3% quarter to quarter to only 0.2% quarter to quarter, and Q3 GDP stalling at 0.1%, the MPC voted by 5-4 to cut rates to 3.75%. However, Governor Bailey made it clear that any further reductions would require strong supporting data, and the pace of any further decreases would be slow compared to recent months. The markets expect the bank base rate to next be cut in April 2026.

The Commissioner's treasury advisor, MUFG Corporate Markets, latest forecast has been revised to price in a rate cut in Q2 2026 to 3.5%, likely to take place in the wake of a significant fall in the CPI inflation reading from 3% in March to 2% in April (as forecast by Capital Economics), followed by a short lull through the summer whilst more data is gathered, and then a further rate cut to 3.25% in Q4.

Borrowing position for the quarter ended 31 December 2025

At 31st December 2025 there were no loans outstanding.

Investments in place on 31 December 2025

Category/Institution	Credit Rating	Investment Date	Investment Matures	Rate (%)	Counterparty Total (£)
Category 1 - Banks Unsecured (Includes Banks & Building Societies)					
Lloyds Bank	AA-	30/06/2025	On Demand	3.77%	1,760,000
MUFG - National Bank of Canada	A+	03/07/2025	30/01/2026	4.13%	2,000,000
MUFG - Landesbank Hessen - (Helaba)	A+	03/07/2025	20/02/2026	4.13%	2,000,000
MUFG - Qatar National Bank	A+	03/07/2025	20/03/2026	4.36%	2,000,000
MUFG - Standard Chartered Bank	A+	19/12/2025	27/03/2026	3.990%	2,000,000
NatWest (Liquidity Select Acc)	A+	31/12/2025	On Demand		10,000
					9,770,000
Category 3 - Government (Includes HM Treasury and Other Local Authorities)					
DMO		11/12/2025	15/01/2026	3.790%	840,000
DMO		12/12/2025	22/01/2026	3.775%	3,000,000
DMO		23/12/2025	22/01/2026	3.720%	940,000
DMO		07/08/2025	30/01/2026	3.925%	4,000,000
DMO		12/12/2025	30/01/2026	3.770%	3,000,000
					11,780,000
Category 4 - Registered Providers (Includes Providers of Social Housing)					
None					
BlackRock	AAA	Various	On demand	3.870%	£47,000.00
Fidelity	AAA	Various	On demand	3.970%	£3,531,000.00
Goldman Sachs	AAA	Various	On demand	3.900%	£220,000.00
Aberdeen Standard	AAA	Various	On demand	3.990%	£2,281,000.00
					6,389,000
Total					27,939,000

At the end of December funds invested were £27.939m. The breakdown is: 22.9% held in money markets funds, 28.6% in bank deposits, 42.2% in government and 6.3% in call accounts. The Home Office Police Pension Top-up Grant (£17.3m) was received on 3rd July, this grant is paid largely in advance and drawn down as police pensions are paid throughout the year. Following the receipt of the grants and precept at the beginning of August the investments peaked with a balance of £47.4m, the highest point for investments in the year. As the pension grant is drawn down to fund monthly pension payments liquidity will be monitored to ensure that the Commissioner has funds available when they are needed. The investment balance for the 31st of March is predicted to be £4.249m.

Treasury and Prudential Indicators 2025/26 at 31 December 2025

Treasury Management Indicators		Result	RAG	Prudential indicators		Result	RAG
The Authorised Limit <i>The authorised limit represents an upper limit of external borrowing that could be afforded in the short term but may not be sustainable. It is the expected maximum borrowing need with some headroom for unexpected movements. This is a statutory limit under section 3(1) of the Local Government Act 2003.</i>	TEST - Is current external borrowing within the approved limit	YES	●	Ratio of Financing Costs to Net Revenue Stream <i>This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of revenue budget required to meet financing costs.</i>	TEST - Is the ratio of capital expenditure funded by revenue within planned limits	YES	●
The Operational Boundary <i>The operational boundary represents and estimate of the most likely but not worst case scenario it is only a guide and may be breached temporarily due to variations in cash flow.</i>	TEST - Is current external borrowing within the approved limit	YES	●	Net Borrowing and the Capital Financing Requirement <i>This indicator is to ensure that net borrowing will only be for capital purposes. The Commissioner should ensure that the net external borrowing does not exceed the total CFR requirement from the preceding year plus any additional borrowing for the next 2 years.</i>	TEST - Is net debt less than the capital financing requirement	YES	●
Actual External Debt <i>It is unlikely that the Commissioner will actually exercise external borrowing until there is a change in the present structure of investment rates compared to the costs of borrowing.</i>	TEST - Is the external debt within the Authorised limit and operational boundary	YES	●	Capital Expenditure and Capital financing <i>The original and current forecasts of capital expenditure and the amount of capital expenditure to be funded by prudential borrowing for 2025/26.</i>	TEST - Is the current capital outturn within planned limits	YES	●
Gross and Net Debt <i>The purpose of this indicator is to highlight a situation where the Commissioner is planning to borrow in advance of need.</i>	TEST - Is the PFCC planning to borrow in advance of need	NO	●	Capital Financing Requirement <i>The CFR is a measure of the extent to which the Commissioner needs to borrow to support capital expenditure only. It should be noted that at present all borrowing has been met internally.</i>	TEST - Is the capital financing requirement within planned limits	YES	●
Maturity Structure of Borrowing <i>The indicator is designed to exercise control over the Commissioner having large concentrations of fixed rate debt needing to be repaid at any one time.</i>	TEST - Does the PFCC have large amounts of fixed rate debt requiring repayment at any one time	NO	●				
Upper Limit for total principal sums invested for over 365 Days <i>The purpose of this indicator is to ensure that the Commissioner has protected himself against the risk of loss arising from the need to seek early redemption of principal sums invested.</i>	TEST - Is the value of long term investments within the approved limit	YES	●				

The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that regular reports are presented with regards to treasury management activities. This quarterly report ensures the Police, Fire and Crime Commissioner is implementing best practice in accordance with the Code.