



The Police, Fire and Crime Commissioner for Cumbria Treasury Management Activities 2025/26 for the period

01 April 2025 to 30 June 2025

Executive Board Police 30/07/2025 and Joint Audit Committee 24/09/2025



Cash flow Balances

Quarter 1 average daily
balance - £21.210m

Investment balance @
30/06/25 £16.095m

Investment Strategy

| Category | Category Limit (£m) | Investments at 30 Jun (£m) | Compliance with Limit |
|--------------------------|------------------------|----------------------------------|--------------------------|
| 1 - Banks Unsecured | 20 | 3.770 | Yes |
| 3 - Government (inc LA) | Unlimited | 4.000 | Yes |
| 4 - Registered Providers | 10 | 0.000 | Yes |
| 5 - Pooled Funds | 20 | 8.325 | Yes |
| Total | | 16.095 | |

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 there
has been no requirement during Qtr1.



Investment Interest Forecast

Base Budget - £1.015m

Current Estimate -
£1.014m

Performance Indicators

| | Number of Days | Average Balance £ | Largest Balance £ |
|----------------|-------------------|-------------------------|-------------------------|
| Quarter 1 | | | |
| Days In Credit | 91 | 70,475 | 271,937 |
| Days Overdrawn | 0 | 0 | 0 |

Average interest rate earned – 4.29%

Average bank base rate – 4.33%

(Current bank base rate – 4.25%)

Treasury and Prudential Indicators

During the period 01 April 2025 and 30 June 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 3.

Economic Outlook and Treasury position for the quarter ended 30 June 2025

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

The first quarter of 2025/26 (1st April to 30th June) saw:

- A 0.3% m/m fall in real GDP in April – the first fall since October 2024 and the largest fall since October 2023.
- Core CPI inflation ease from 3.8% in April to 3.5% in May as temporary Easter-related effects faded.
- The Bank of England cut interest rates from 4.50% to 4.25% in May, holding them steady in June.

The sharp falls in services inflation from 5.4% to 4.7% and in core inflation from 3.8% to 3.5% confirmed that the previous month's jumps partly reflected an Easter-related blip. Services inflation is expected to continue to fall as wage growth slows, supporting a view that CPI inflation will fall close to 2.0% by the start of 2027. An upside risk, however, in the near term is that higher oil/gas and food prices could trigger another bout of second-round effects on wages and inflation expectations, meaning CPI inflation stays above 3.0% for longer and causes the Bank to shift to an even slower rate cutting path. CPI is expected to peak at 3.8% in September.

In June's MPC vote, three MPC members voted for an immediate cut to 4.00%, citing loosening labour market conditions. The other six members were more cautious, as they highlighted the need to monitor for "signs of weak demand", "supply-side constraints" and higher "inflation expectations", mainly from food prices rising. By repeating the well-used phrase "gradual and careful", the MPC continued to suggest that rates will be reduced further.

MUFG treasury advisors forecast 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.

Borrowing position for the quarter ended 30 June 2025

At 30th June 2025 there were no loans outstanding.

Investments in place on 30 June 2025

| Category/Institution | Credit Rating | Investment Date | Investment Matures | Rate (%) | Counterparty Total (£) |
|---|---------------|-----------------|--------------------|----------|------------------------|
| Category 1 - Banks Unsecured (Includes Banks & Building Societies) | | | | | |
| Lloyds Bank | | 30/06/2025 | On Demand | 4.04% | 1,760,000 |
| MUFG - National Bank of Kuwait (International) PLC | | 06/06/2025 | 04/09/2025 | 4.30% | 2,000,000 |
| NatWest (Liquidity Select Acc) | A+ | 30/06/2025 | On Demand | 1.10% | 10,000 |
| | | | | | 3,770,000 |
| Category 3 - Government (Includes HM Treasury and Other Local Authorities) | | | | | |
| DMO | | 06/06/2025 | 21/07/2025 | 4.200% | 4,000,000 |
| | | | | | 4,000,000 |
| Category 4 - Registered Providers (Includes Providers of Social Housing) | | | | | |
| None | | | | | |
| | | | | | 0 |
| Category 5 - Pooled Funds (Includes AAA rated Money Market Funds) | | | | | |
| Invesco | AAA | Various | On demand | 4.280% | 3,358,500 |
| BlackRock | AAA | Various | On demand | 4.190% | 117,500 |
| Fidelity | AAA | Various | On demand | 4.270% | 2,200,875 |
| Goldman Sachs | AAA | Various | On demand | 4.210% | 47,500 |
| Aberdeen Standard | AAA | Various | On demand | 4.300% | 2,600,375 |
| | | | | | 8,324,750 |
| Total | | | | | 16,094,750 |

At the end of June funds invested were £16.095m. The breakdown is: 52% held in money markets funds, 12% in bank deposits, 25% in government and 11% in call accounts. June observes cash available for investment at its lowest, due to the timing of the Home Office Police Pension Grant. This grant is paid largely in advance and drawn down as police pensions are paid throughout the year. As the funds held decline liquidity is monitored to ensure funds are available when needed. In early July, following the receipt of the pensions top up grant, the balances increased to £45m and this is expected to be the highest point for investments in the year.

Treasury and Prudential Indicators 2025/26 at 30 June 2025

| Treasury Management Indicators | | Result | RAG | Prudential indicators | | Result | RAG |
|--|---|--------|-----|---|---|--------|-----|
| The Authorised Limit | | | | Ratio of Financing Costs to Net Revenue Stream | | | |
| <i>The authorised limit represents an upper limit of external borrowing that could be afforded in the short term but may not sustainable. It is the expected maximum borrowing need with some headroom for unexpected movements. This is a statutory limit under section3(1) of the Local Government Act 2003.</i> | TEST - Is current external borrowing within the approved limit | YES | ● | <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 | | | | Net Borrowing and the Capital Financing Requirement | | | |
| <i>The operational boundary represents and estimate of the most likely but not worse 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 | ● | <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 | | | | Capital Expenditure and Capital financing | | | |
| <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 boundry | YES | ● | <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 | | | | Capital Financing Requirement | | | |
| <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 | ● | <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.