The Police, Fire and Crime Commissioner for Cumbria

Treasury Management Activities 2025/26 Quarter 2

for the period 01 July 2025 to 30 September 2025

Executive Board Police 26/11/2025 and Joint Audit Committee 26/11/2025

Cash flow Balances

Quarter 2 average daily balance - £40.403m

Investment balance @ 30/09/25 £30.264m

Investment Strategy

Category	Category Limit (£m)	Investments at 30 Sep (£m)	Compliance with Limit
Banks Unsecured	20	13.770	Yes
Government (inc LA)	Unlimited	8.000	Yes
Registered Providers	10	0.000	Yes
Pooled Funds	20	8.494	Yes
Total		30.264	

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 - £1.191m

Performance Indicators

Quarter 2	Number of Days	Average Balance £	Largest Balance £
Days In Credit	92	63,365	299,629
Days Overdrawn	0	0	0

Average interest rate earned – 4.09%

Average bank base rate – 4.10%

(Current bank base rate – 4.00%)

Treasury and Prudential Indicators

During the period 01 July 2025 and 30 September 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 30 September 2025

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

The second quarter of 2025/26 (1st July to 30th September) saw:

- Following a 0.3% pick up in GDP in qtr. 1, the economy flatlined in July with higher taxes for businesses restraining growth.
- CPI inflation has ebbed and flowed but finished September at 3.8%, whilst core inflation eased to 3.6%.
- The Bank of England cut interest rates from 4.25% to 4.00% in August, holding them steady in September.

In qtr. 1, CPI inflation fell slightly from 3.5% in April to 3.4% in May, and services inflation dropped from 5.4% to 4.7%, whilst core inflation also softened from 3.8% to 3.5%. In qtr. 2, though inflation pressures have resurfaced, the recent upward march in CPI inflation did pause for breath in August, with CPI inflation staying at 3.8%. Core inflation eased once more from 3.8% to 3.6%, and services inflation dipped from 5.0% to 4.7%. All in all, the half year finishes in a similar position to where the financial year started, although with food inflation rising to an 18-month high of 5.1% and households' expectations for inflation standing at a six year high, a further loosening in the labour market and weaker wage growth may be a requisite to UK inflation coming in below 2.0% by 2027.

The Bank of England does not anticipate CPI getting to the target figures of 2% until early 2027, and with wages still rising by just below 5%, it was no surprise that the September meeting saw the MPC vote 7-2 for keeping rates at 4%.

The Commissioner's treasury advisor, MUFG Corporate Markets, latest forecast on 11 August sets out a view that short, medium and long-dated interest rates will fall back over the next year or two. 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 September 2025

At 30th September 2025 there were no loans outstanding.

Investments in place on 30 September 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 - Standard Chartered Bank - Sustainable	A+	03/07/2025	28/11/2025	4.04%	2,000,000
MUFG - SMBC Bank	A-	03/07/2025	19/12/2025	4.17%	2,000,000
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 - National Bank of Kuwait PLC	A+	04/09/2025	28/11/2025	4.09%	2,000,000
NatWest (Liquidity Select Acc)	A+	30/06/2025	On Demand		10,000
					13,770,000
Category 3 - Government (Includes HM Treasury and Other Local Authorities)					
DMO		07/08/2025	30/01/2026	3.925%	4,000,000
DMO		12/09/2025	31/10/2025	3.960%	4,000,000
					8,000,000
Category 5 - Pooled Funds (Includes AAA rated Money Market Funds)					
Invesco	AAA	Various	On demand	4.050%	£3,588,500.00
BlackRock	AAA	Various	On demand	3.970%	£927,500.00
Fidelity	AAA	Various	On demand	4.060%	£1,720,875.00
Goldman Sachs	AAA	Various	On demand	3.990%	£371,500.00
Aberdeen Standard	AAA	Various	On demand	4.070%	£1,885,375.00
					8,493,750
Total					**30,263,750**

At the end of September funds invested were £30.264m. The breakdown is: 28.1% held in money markets funds, 45.5% in bank deposits, 26.4% in government and 5.8% 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 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 £8.5m.

Treasury and Prudential Indicators 2025/26 at 30 September 2025

Treasury Management Indicators		Result	RAG
The Authorised Limit *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.*	**TEST - Is current external borrowing within the approved limit**	**YES**	
The Operational Boundary *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.*	**TEST - Is current external borrowing within the approved limit**	**YES**	
Actual External Debt *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.*	**TEST - Is the external debt within the Authorised limit and operational boundry**	**YES**	
Gross and Net Debt *The purpose of this indicator is to highlight a situation where the Commissioner is planning to borrow in advance of need.*	**TEST - Is the PFCC planning to borrow in advance of need**	**NO**	
Maturity Structure of Borrowing *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.*	**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 *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.*	**TEST - Is the value of long term investments witin the approved limit**	**YES**	

Prudential indicators		Result	RAG
Ratio of Financing Costs to Net Revenue Stream *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.*	**TEST - Is the ratio of captial expenditure funded by revenue within planned limits**	**YES**	
Net Borrowing and the Capital Financing Requirement *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.*	**TEST - Is net debt less than the capital financing requirement**	**YES**	
Capital Expenditure and Capital financing *The original and current forecasts of capital expenditure and the amount of capital expenditure to be funded by prudential borrowing for 2025/26.*	**TEST - Is the current capital outurn within planned limits**	**YES**	
Capital Financing Requirement *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.*	**TEST - Is the capital financing requirment within planned limits**	**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.