

## Councillors' Information Bulletin: 13 April 2026

Title of Update: Treasury Management 2025/26 Quarter 3 Report

Relevant Officers: David Hodgson, Strategic Director of Corporate Resources and s151 Officer

Kayleigh Searle – Finance Lead - Capital

Contact for general enquiries:

Jo Quinnell, Assistant Democratic Services Officer, Corporate Resources

Email: [democratic.services@exeter.gov.uk](mailto:democratic.services@exeter.gov.uk) Tel: 01392 265197

### 1. What is the update about?

The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for treasury Management 2021 recommends that members be updated on treasury management activities at least quarterly. The Treasury Management Strategy for the coming year, the annual Treasury Management outturn, and the mid-year review are presented to Executive and Council. Other quarterly updates are not required to be formally presented to Council. This report provides an update on the third quarter of 2025/26 in compliance with the Code.

### 2. Report Details:

#### 2.1. Economic update and Interest Rate Forecasts

The Council has appointed MUFG Corporate Markets (formerly Link Group) as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts overleaf are based on the Certainty Rate as at 23<sup>rd</sup> March 2026.

The previous expectation that interest rates would continue to fall during 2026 has now been brought into question, given the economic uncertainty following events in the Middle East.

The Bank of England (BoE) kept bank rate unchanged at 3.75% at its March 2026 meeting and the MPC will be monitoring the situation closely, quoting "the MPC is alert to the increased risk of domestic inflationary pressures through second-round effects in wage and price-setting." while also noting that there are a range of risks to medium-term inflation in both directions, it said that upside risks had "...increased most notably." However, it also noted that "...the MPC is also assessing the

implications for inflation of the weakening in economic activity that is likely to result from higher energy costs."

The table below includes the forecasts of MUFG CM and Capital Economics, both of which will be reconsidered once there is more clarity on events in the Middle East and their potential impact on national and global economies.

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%
<b>5Y PWLB RATE</b>								
MUFG CM	4.60%	4.50%	4.30%	4.20%	4.10%	4.10%	4.10%	4.10%
Cap Econ	4.60%	4.60%	4.50%	4.50%	4.50%	4.40%	4.40%	4.40%
<b>10Y PWLB RATE</b>								
MUFG CM	5.20%	5.00%	4.90%	4.80%	4.80%	4.70%	4.70%	4.70%
Cap Econ	5.20%	5.20%	5.10%	5.10%	5.10%	5.10%	5.10%	5.10%
<b>25Y PWLB RATE</b>								
MUFG CM	5.80%	5.70%	5.60%	5.50%	5.50%	5.40%	5.30%	5.30%
Cap Econ	6.00%	5.80%	5.70%	5.60%	5.60%	5.50%	5.50%	5.50%
<b>50Y PWLB RATE</b>								
MUFG CM	5.60%	5.50%	5.40%	5.30%	5.30%	5.20%	5.10%	5.10%
Cap Econ	5.70%	5.60%	5.40%	5.20%	5.20%	5.20%	5.20%	5.20%

## 2.2. Treasury Management Strategy

The Council approved the 2025/26 Treasury Management Strategy Statement, including the Annual Investment Strategy, at its meeting on 25 February 2025. In accordance with the CIPFA Treasury Management Code of Practice it sets out the Council's investment priorities as being; Security of capital, Liquidity, and Yield. Officers review the creditworthiness of counterparties when making investment decisions, and Link provide updates of changes to credit ratings.

The Council's investment strategy was to continue to hold small surplus funds and to seek to utilise its Call Accounts, Money Market Funds, use the Government's Debt Management Office and use short-dated deposits which would be placed with Local Authorities, Banks or Building Societies in-line with the Council's counterparty list.

The Council's stated borrowing strategy was to defer borrowing until later years, where possible, and to reduce the size of the Council's investment balance instead, however some targeted long-term borrowing may be undertaken where the costs will be offset against future income streams.

## 3. Investments

The Council held no fixed term deposits as at 31 December 2025.

The Council had access to four Money Market Funds during the period. The money market funds allow immediate access to our funds and spreads risk as it is pooled with investments by other organisations and invested across a wide range of financial institutions.

Amount	Investment	Interest rate*
£10,000,000	Federated Short-Term Sterling Prime Fund	4.20%
£0	CCLA - The Public Sector Deposit Fund	4.17%
£10,000,000	BlackRock Institutional Sterling Liquidity Fund	4.10%
£10,000,000	Aberdeen Standard Liquidity Fund	4.19%
<b>£30,000,000</b>		

\* Interest rate is variable, therefore rates quoted are an average to 31 December 2025.

The Council made investments in the CCLA's LAMIT Property Fund in 2016. It should be noted that investments in property funds are a long-term commitment which means that there can be fluctuations on the return from the investment.

Amount	Investment	Dividend Yield 25/26
£5,000,000	CCLA – LAMIT Property Fund	4.25%

#### 4. Borrowing

When the 2025/26 budget was set the Council's Capital Financing Requirement (CFR) at 31<sup>st</sup> March 2025 was expected to be £225.381m, rising by £15.576m to £240.957m by 31<sup>st</sup> March 2026 to fund the capital programme. The Council is in an under-borrowed position, meaning that the CFR has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as borrowing costs remain high.

The Council's long-term borrowing as at 31 December 2025 is £162.124m (£89.880m General Fund and £72.244m HRA). £10m was borrowed in March 2025 for 1 year. No further external borrowing has been undertaken during the quarter.

Details of loans are set out below:

Principal Amount outstanding as at 31 December 2025	Lender	Interest rate	Loan type	Date of repayment
£56,884,000	PWLB maturity (HRA)	3.48%	Maturity	28/03/2062
£1,744,752	PWLB 25 year annuity	2.34%	Annuity	11/01/2044

£1,693,143	PWLB 25 year annuity	2.08%	Annuity	04/04/2044
£3,889,847	PWLB 30 year annuity	1.61%	Annuity	26/09/2049
£7,638,227	PWLB 35 year annuity	1.71%	Annuity	26/09/2054
£33,181,286	PWLB 50 year annuity	1.80%	Annuity	26/09/2069
£15,360,000	PWLB maturity (HRA)	1.31%	Maturity	14/04/2070
£41,732,722	PWLB 50 year annuity	1.78%	Annuity	24/12/2071
£10,000,000	PWLB 1 year maturity	4.87%	Maturity	12/03/2026

**4.1.** The ongoing borrowing requirement will be monitored and a decision of whether to take further borrowing will be made in light of need and current and forecast interest rates. If additional borrowing is required advice will be sought from the treasury management advisors in order that the most cost-effective form of borrowing can be secured. The decision of whether to take external long-term borrowing is delegated to the Section 151 Officer and Leader of the Council.

## 5. Compliance with Treasury and Prudential Limits

The Council sets in February each year prudential indicators for Treasury Management to ensure that proper control of borrowing and investing is maintained. These indicators can be found in the Council's budget book. At Quarter 3 2025/26 there is no projected significant deviation from these indicators.

During the quarter ended 31 December 2025, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2025/26. No difficulties are envisaged for the current or future years in complying with these indicators.

All treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices. The approved limits within the Annual Investment Strategy were not breached during the quarter.