



Coventry City Council

Public report

Report to

Audit and Procurement Committee

24th November 2025

Name of Cabinet Member:

Cabinet Member for Strategic Finance and Resources – Councillor R Brown

Director approving submission of the report:

Director of Finance and Resources

Ward(s) affected:

City Wide

Title:

Treasury Management Update 2025-26 – Half Year Progress Report

Is this a key decision?

No

Executive summary:

The purpose of this report is to provide the Audit and Procurement Committee with an update on the Council's Treasury Management activity for 12 months to the end of September 2025.

Recommendations:

Audit and Procurement Committee is recommended to:

- 1) Note the update against the Treasury Management Strategy 2025-26 at 30th September 2025.

List of Appendices included:

Appendix One - Short-term Borrowing and Investment Summary at 30th September 2025.

Appendix Two - UK and Foreign Counterparty Lending List at 30th September 2025.

Background papers:

None.

Has it or will it be considered by scrutiny?

No other scrutiny consideration other than the Audit and Procurement Committee

Has it, or will it be considered by any other council committee, advisory panel or other body?

No

Will this report go to Council?

No

Report title:

Treasury Management Update 2025-26 – Half Year Progress Report

1. Context (or background)

- 1.1 The Council adopts the Chartered Institute of Public Finance and Accountancy's "Treasury Management in the Public Services: Code of Practice (the CIPFA code). This requires the Council to approve an annual Treasury Management Strategy and a mid-year update report. Treasury Management performance is reported as part of regular budget monitoring reports to this Committee.
- 1.2 The Council's Treasury Management activity is undertaken in line with the Treasury Management and Commercial Investment Strategy and Policy for 2025/26, which was agreed by Cabinet as part of the Budget Report 2025/26 at its meeting on 25th February 2025. There are no breaches of the strategy and policy to report.
- 1.3 The Council is supported in the Investment Strategy and Policy by its Treasury Management Advisors - Arlingclose. The advisors provide economic analysis and specialist advice. A key element of this is the provision of advice on credit risk and the supply of information on credit ratings. Regular review meetings with the advisors continue to be held.
- 1.4 Staff with involvement in treasury issues continue to attend weekly update and other events focused on treasury management issues to ensure knowledge and economic awareness is up to date.
- 1.5 **Appendix 1** details short-term borrowing and investments that the Council holds as at 30th September 2025.

2. Options considered and recommended proposal**2.1 Borrowing Update**

There has been no short-term borrowing in 2025/26, although £20m of short-term borrowings taken out at the end 2024/25 was repaid. It is anticipated that due to variables in the cashflow forecast for the remainder of 2025/26, that some short-term borrowings may need to be sourced in Quarter 4. It is important to emphasise that this is a snapshot of the Council's cashflow, it does not represent the Council's overall financial situation.

Other than an £18m loan from WMCA on behalf of UKBIC, no new long-term borrowing has been undertaken since 2009, due in part to the level of investment balances available to the Council. The Council has no immediate plans to take any new long-term borrowing, as long term borrowing rates are particularly high, however this will be kept under review.

In March 2025 the Council repaid the £12m stock issue closely followed by a repayment of £10m Lender Option Borrower Option (LOBO) debt in May 2025. The Council's long-term liabilities are detailed in the table below, which is mainly made

up of long-term borrowing sourced from the Public Works Loan Board (PWLB); Liabilities arising from the LOBO's and Private Finance Initiative (PFI) borrowing.

	30/09/2024	30/09/2025
	£m	£m
Public Works Loan Board (PWLB)	180.7	180.7
LOBO - Market Loans	38.0	28.0
Stock Issue	12.0	0.0
UKBIC/Other	21.0	19.9
PFI	58.6	63.4
Total	310.3	292.0

The Public Works Loan Board (PWLB) remains the main source of loan finance for funding local authority capital investment. In August 2021 HM Treasury significantly revised guidance for the PWLB lending facility with more details and 12 examples of permitted and prohibited use of PWLB loans. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing. Under the Treasury Management Strategy 2022/23 approved by Cabinet on 22nd February 2022 it was agreed the Council will not purchase investment assets primarily for yield.

This increase shown for PFI in the borrowing table above is a result of the technical accounting treatment changes required by IFRS16 (Leases), adopted into public sector accounts in 2024-25 and does not represent new borrowing.

2.2 Investments Update

The table at Appendix 1 details investments held at 30th September 2025 and identifies a total investment of £79.8m (2024/25 £87.0m). These balances are a snapshot at a point in time which move daily and do not reflect the Council's overall financial situation.

The table below shows a comparison of investments held at 30th September for both 2024 & 2025:

	30/09/2024	30/09/2025
	£m	£m
Banks and Building Societies	0.0	0.0
Local Authorities	26.0	39.0
Debt Management Office	0.0	0
Money Market Funds	31.0	10.8
Collective Investment Funds	30.0	30.0
Corporate Bonds	0.0	0.0
Registered Providers	0.0	0.0

Total	87.0	79.8
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The table below details the Council's return on investments as at 30th September 2025. This is against a backdrop of the current Bank of England base rate of 4% (2024/25 5%). Base rates have reduced steadily over the last 12 months.

Type	2024/25	2025/26
All	5.11%	4.50%
MMF/LA	5.02%	4.28%
Collective funds	5.30%	5.17%

Whilst the Council's Collective Investment Funds have continued to provide a healthy annualised return their capital value at 30th September 2025 was £28.2m (2024/25 £27.5m) which remains below the original sum invested (£30.0m) although the value has increased compared to last year. Whilst all seven funds are showing a capital value loss, they continue to show signs of recovery. As interest rates continue to fall the capital value of these funds should increase. In addition to the capital value, income received from these investments exceed any returns offered by banks or money market funds.

The capital value would not normally be an issue unless the Council intended to disinvest from the funds (the intention is that the Council keeps these for the long term). However, there was a statutory override for gains and losses on pooled investment funds held outside of a pension fund being taken to revenue. This was introduced in 2018 following a change to International Financial Reporting Standards (IFRS). At the time, the government felt it was inappropriate for revaluations to "impact on the balanced budget requirement of Local Authorities or on the quantum of funds available to support delivery of services." This override was time-limited and was due to expire in April 2023, the Government then extended the override to March 2025 when a final decision was made which enabled the decrease in value to be held on the balance sheet for existing investments.

Appendix 2 details the Council's Lending List as at 30th September 2025. This list shows those banking and government institutions that the Investment Strategy allows the Council to invest cash balances with. The list is taken using specialist advice from Arlingclose and is split between UK and foreign institutions. The Council does not hold any funds with counterparties that are not on this list. Duration limits for counterparties on the Council's lending list are under regular review and will continue to reflect economic conditions and the credit outlook.

2.3 National issues

Financial markets had been in a state of flux following the Budget announcement by the Chancellor of the Exchequer on 30th October 2024 and the election of President Trump on 5th November 2024. Events in the Middle East, Ukraine and Russia also continue to add to this uncertainty to the global economy. The first quarter of the year was dominated by the fallout of the US trade tariffs and their impact on financial markets. Equity markets declined sharply, which was subsequently

followed by bond markets as investors were increasingly concerned about US fiscal policy. The second quarter is still rife with uncertainty, equity markets made gains and a divergence in US and UK government bond yields started to occur, which had been moving relatively closely together. From late June, amid a UK backdrop of economic uncertainty, concerns around the government's fiscal position and speculation around the autumn Budget, yields on medium and longer-term gilts pushed higher, including the 30-year which hit its highest level for almost 30 years.

Initial thoughts following the Budget announcement 2024 was that inflation would increase and thus restrict the Bank of England Monetary Policy Committee's (MPC) ability to reduce interest rates; the Bank of England has been cautious in lowering rates over the last 12 months. Base rate was lowered in August 2025 to 4.0% over the last 12 months rates have reduced on 4 occasions by 0.25bpts increments (Sept 2024: 5.0%). The latest forecast from the Council's Treasury Management Advisors, Arlingclose, is for the Bank Interest Rate to reduce another 0.25bpt potentially in December or quarter 4 to 3.75%. They are predicting more drops over the long term but are predicting that base rate will level out at 3.75%.

UK headline annual consumer price inflation (CPI) increased over the period, rising from 2.6% in March to 3.8% in September (unchanged from August), still well above the Bank of England's 2% target. Core inflation also rose, from 3.4% in March to 3.5% in September, slightly down from the August reading of 3.6%. Services' inflation also fell from July to September, to 4.7% from 5.0%. The UK economy expanded by 0.7% in the first quarter of the calendar year and by 0.3% in the second quarter although it is expected to reduce in quarter 3 by 0.1%.

3. Results of consultation undertaken

3.1 None

4. Timetable for implementing this decision

4.1 There is no implementation timetable as this is a monitoring report.

5. Comment from the Director of Finance and Resources and the Director of Law and Governance

5.1 Financial Implications

The financial implications are discussed in the body of this report.

5.2 Legal implications

Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services; Code of Practice 2017 Edition* (the CIPFA code) which requires the Council to approve a treasury management strategy before the start of each financial year. The Council's treasury management activity must be carried out in

accordance with the requirements of the *Local Government Act 2003* which gives legal obligation to have regard to the CIPFA Code.

6. Other implications

6.1 How will this contribute to achievement of the Council's plan?

Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rate. The successful identification, monitoring and control of financial risk is therefore central to the Council's prudent financial management.

6.2 How is risk being managed?

In terms of risk management, there are two main focuses:

- Credit Risk – This is the risk of an investment counterparty defaulting and any subsequent loss of funds or delay in making returns. The risk is mitigated through investment counterparties being subject to a minimum credit rating limit (A-) as determined by the Fitch crediting rating agency. Credit ratings are obtained and monitored by the Council's treasury advisors, who will notify changes in ratings as they occur. The Lending List at **Appendix 2** identifies the credit rating for each counterparty on 30th September 2025. The minimum credit rating and funding limits on counterparty investment levels are agreed by the Council as part of the Treasury Management Strategy.
- Liquidity Risk – This is the risk of not having access to cash when needed. Detailed forecasts on future daily cashflows are made and based on known outgoings and incomings (e.g. cost of salaries and government funding). Surplus funds are invested in counterparties (e.g. Money Market Funds as shown in **Appendix 1**) with high liquidity so there is quick access to cash to cover payments.

6.3 What is the impact on the organisation?

None

6.4 Equalities / EIA

None

6.5 Implications for (or impact on) Climate Change and the environment

No impact

6.6 Implications for partner organisations?

None

Report author:**Name and job title:**

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Contributor/approver name	Title	Service area	Date doc sent out	Date response received or approved
Contributors:				
Lara Knight	Governance Services Officer	Law and Governance	13/11/25	13/11/25
Elaine Hughes	Lead Accountant Control and Treasury Management	Finance and Resources	01/10/25	13/11/25
Names of approvers: (officers and members)				
Barry Hastie	Director of Finance and Resources (Section 151 Officer)	-	13/11/25	13/11/25
Councillor R Brown	Cabinet Member for Strategic Finance and Resources	-	13/11/25	13/11/25

This report is published on the council's website: www.coventry.gov.uk/council-meetings

Appendix 1 - Short-term Investment Summary at 30th September 2025

Investment Type	Loan Ref.	Lender Name	Broker	Principal	Start Date	Maturity Date
TEMP. DEPOSITS	200004465	LONDON BOROUGH OF BARKING & DAGENHAM	ICAP	5,000,000.00	30/07/2025	08/10/2025
	200004467	CENTRAL BEDFORDSHIRE COUNCIL	ICAP	10,000,000.00	21/08/2025	21/10/2025
	200004468	LUTON BOROUGH COUNCIL	IMP	10,000,000.00	27/08/2025	03/10/2025
	200004471	LINCOLNSHIRE COUNTY COUNCIL	INSTI	5,000,000.00	25/09/2025	24/10/2025
	200004472	LEEDS COUNTY COUNCIL	BGC	5,000,000.00	26/09/2025	10/10/2025
	200004474	SURREY COUNTY COUNCIL	BGC	4,000,000.00	26/09/2025	10/10/2025
				<u>39,000,000.00</u>		
MMF DEPOSITS	2400000002	ABERDEEN LIQUIDITY FUND	N/A	0.00		
	2400000004	FEDERATED PRIME RATE	N/A	10,780,000.00		
				<u>10,780,000.00</u>		
COLLECTIVE INVESTMENT FUNDS	2600000006	CCLA INVESTMENT MGT LTD	N/A	12,000,000.00	28/11/2013	
	2600000013	COLUMBIA TREADNEEDLE	N/A	1,500,000.00	16/08/2018	
	2600000014	M&G INVESTMENTS	N/A	1,500,000.00	20/08/2018	
	2600000015	M&G INVESTMENTS	N/A	3,000,000.00	20/08/2018	
	2600000016	M&G INVESTMENTS- UK INCOME DISTRIBUTION FUND	N/A	3,000,000.00	20/08/2018	
		INVESTEC ASSET MANAGEMENT / NINETY ONE				
	2600000012	DIVERSIFIED INCOME FUND	N/A	4,500,000.00	10/08/2018	
	2600000011	SCHRODERS UNIT TRUSTS LTD	N/A	4,500,000.00	01/08/2018	
				<u>30,000,000.00</u>		
GRAND TOTAL				<u>79,780,000.00</u>		

Appendix 2 - Counterparty Lending List at 30th September 2025

Complete Credit List as at:		30/09/2025					
Counterparty	Country of Domicile	Maximum Deposit/CD Duration	Fitch Longterm	Moody's Long term	Standard & Poors Longterm	Banking Group	Limit £
UNITED KINGDOM: BANKS							
BANK OF SCOTLAND PLC	GB	6 months	AA-	A1	A+	Lloyds Banking Group	£10m
LLOYDS BANK PLC	GB	6 months	AA-	A1	A+		£10m
LLOYDS BANK CORPORATE MARKET	GB	100 days	AA-	A1	A		£10m
BARCLAYS BANK PLC	GB	6 months	A+	A1	A+	Barclays Group	£10m
BARCLAYS BANK UK PLC	GB	6 months	A+	A1	A+		£10m
CLYDESDALE BANK	GB	100 days	A+	A1	A	Nationwide	£10m
HANDELSBANKEN PLC	GB	6 months	AA		AA-	Svenska HB	£10m
HSBC BANK PLC	GB	6 months	AA-	A1	A+	HSBC Group	£10m
HSBC UK BANK PLC	GB	6 months	AA-	A1	A+		£10m
NATIONAL WESTMINSTER BANK	GB	6 months	AA-	A1	A+	NatWest Group	£10m
NATWEST MARKETS PLC	GB	6 months	AA-	A1	A		£10m
ROYAL BANK OF SCOTLAND PLC/T	GB	6 months	AA-	A1	A+		£10m
SANTANDER UK PLC	GB	6 months	A+	A1	A	Santander	£10m
STANDARD CHARTERED BANK	GB	6 months	A+	A1	A+		£10m
UK: BUILDING SOCIETIES							
NATIONWIDE BUILDING SOCIETY	GB	6 months	A+	A1	A+	Nationwide	£10m
UK: OTHER INSTITUTIONS							
LCR FINANCE PLC	EN	10 years	AA-	Aa3	AA		£10m
NETWORK RAIL INFRASTRUCTURE	GB	10 years	AA-	Aa3			£10m
UNITED KINGDOM	GB	50 years	AA-u	Aa3	AAu		£10m
WELLCOME TRUST FINANCE PLC	GB	15 years		Aaa	AAA		£10m
AUSTRALIA			AAAu	Aaa	AAAu		
AUST AND NZ BANKING GROUP	AU	6 months	AA-	Aa2	AA-		£10m
COMMONWEALTH BANK OF AUSTRAL	AU	6 months	AA-	Aa2	AA-		£10m
NATIONAL AUSTRALIA BANK LTD	AU	6 months	AA-	Aa2	AA-		£10m
WESTPAC BANKING CORP	AU	6 months	AA-	Aa2	AA-		£10m

AUSTRIA	AS		AAu	Aa1	AA+		
OESTERREICHISCHE KONTROLLBANK	AS	10 years		Aa1	AA+		£10m
CANADA	CA		AA+u	Aaa	AAA		
BANK OF MONTREAL	CA	6 months	AA	Aa2	A+		£10m
BANK OF NOVA SCOTIA	CA	6 months	AA	Aa2	A+		£10m
CAN IMPERIAL BK OF COMMERCE	CA	6 months	AA	Aa2	A+		£10m
EXPORT DEVELOPMENT CANADA	CA	10 years		Aaa	AAA		£10m
NATIONAL BANK OF CANADA	CA	100 days	AA-	Aa2	A+		£10m
ROYAL BANK OF CANADA	CA	6 months	AA	Aa1	AA-		£10m
TORONTO-DOMINION BANK	CA	6 months	AA	Aa1	A+		£10m
DENMARK	DE		AAA	Aaa	AAAu		

KOMMUNEKREDIT	DE	10 years		Aaa	AAA		£10m
FINLAND	FI		AA	Aa1	AA+u		
MUNICIPALITY FINANCE PLC	FI	10 years		Aa1	AA+		£10m
NORDEA BANK ABP	FI	6 months	AA	Aa3	AA-		£10m
OP CORPORATE BANK PLC	FI	100 days		Aa3	AA-		£10m
GERMANY	GE		AAAu	Aaa	AAAu		
BAYERISCHE LANDESBANK	GE	6 months	AA-	Aa2	NR		£10m
DZ BANK AG DEUTSCHE ZENTRAL	GE	6 months	AA	Aa2	A+		£10m
FMS WERTMANAGEMENT	GE	25 years		Aaa	AAA		£10m
KREDITANSTALT FUER WIEDERAUFBAU (KFW)	GE	25 years	AAAu		AAA		£10m
LANDESBANK BADEN-WUERTTEMBER	GE	6 months	AA-	Aa2	NR		£10m
LANDESBANK HESSEN-THURINGEN	GE	6 months	AA-	Aa2	NR		£10m
LANDESKRED BADEN-WUERTT FOER	GE	25 years	AAA	Aaa	AA+		£10m
LANDWIRTSCHAFTLICHE RENTENBA	GE	25 years	AAA	Aaa	AAA		£10m
NETHERLANDS	NE		AAAu	Aaa	AAAu		
BNG BANK NV	NE	5 years	AAA	Aaa	AAA		£10m
COOPERATIEVE RABOBANK UA	NE	6 months	AA-	Aa2	A+		£10m
NEDERLANDSE WATERSCHAPSBANK	NE	5 years		Aaa	AAA		£10m
NORWAY	NO		AAAu	Aaa	AAAu		
KOMMUNALBANKEN AS	NO	5 years		Aaa	AAA		£10m
SINGAPORE	SI		AAAu	Aaa	AAAu		
DBS BANK LTD	SI	6 months	AA-	Aa1	AA-		£10m

OVERSEA-CHINESE BANKING CORP	SI	6 months	AA-	Aa1	AA-		£10m
UNITED OVERSEAS BANK LTD	SI	6 months	AA-	Aa1	AA-		£10m
SWEDEN	SW		AAAu	Aaa	AAAu		
SVENSKA HANDELSBANKEN-A SHS	SW	6 months	AA+	Aa1	AA-	Svenska HB	£10m
SVENSK EXPORTKREDIT AB	SW	5 years		Aa1	AA+		£10m
UNITED STATES OF AMERICA	US		AA+u	Aa1	AA+u		
NORTHERN TRUST CO	US	100 days	AA	Aa1	AA-		£10m
SUPRANATIONAL							
AFRICAN DEVELOPMENT BANK (AfDB)	IV	5 years	AAA	Aaa	AAA		£10m
ASIAN DEVELOPMENT BANK	PH	5 years	AAA	Aaa	AAA		£10m
COUNCIL OF EUROPE DEVELOPMENT BANK (CEDB)	FR	15 years	AAA	Aaa	AAA		£10m
EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (EBRD)	GB	25 years	AAA	Aaa	AAA		£10m
EUROPEAN INVESTMENT BANK (EIB)	LX	25 years	AAA	Aaa	AAA		£10m
INTER-AMERICAN DEVELOPMENT BANK (IADB)	US	25 years	AAAu	Aaa	AAA		£10m
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (THE WORLD BANK)	US	25 years	AAAu	Aaa	AAA	World Bank Group	£10m
INTERNATIONAL FINANCE CORP	US	5 years		(P)Aaa	AAA		£10m
NORDIC INVESTMENT BANK (NIB)	FI	25 years		Aaa	AAA		£10m
Money Market Funds on Arlingclose List <div> Country of Domicile Fitch Moody's Standard & Poor's </div>							
ABERDEEN ASSET MANAGEMENT	LX	Overnight	AAAmmf	Aaa-mf	AAAm		£20m
AVIVA INVESTORS	IR	Overnight	-	Aaa-mf	AAAm		£20m
BLACKROCK	IR	Overnight	AAAmmf	Aaa-mf	AAAm		£20m
BNP PARIBAS ASSET MANAGEMENT	LX	Overnight	-	Aaa-mf	AAAm		£10.8m
CCLA - PSDF	GB	Overnight	AAAmmf	Aaa-mf	-		£8.2m
DWS	IR	Overnight	AAAmmf	Aaa-mf	AAAm		£20m
FEDERATED INVESTORS (UK)	GB	Overnight	AAAmmf	Aaa-mf	AAAm		£20m
FIDELITY INTERNATIONAL	IR	Overnight	-	Aaa-mf	AAAm		£10.1m
GOLDMAN SACHS ASSET MANAGEMENT	IR	Overnight	AAAmmf	Aaa-mf	AAAm		£20m
HSBC ASSET MANAGEMENT	IR	Overnight	-	Aaa-mf	AAAm		£20m
INSIGHT INVESTMENTS	IR	Overnight	AAAmmf	Aaa-mf	AAAm		£20m
INVESCO AIM	IR	Overnight	AAAmmf	Aaa-mf	AAAm		£9.2m
J.P.MORGAN ASSET MANAGEMENT	LX	Overnight	AAAmmf	Aaa-mf	AAAm		£20m
LEGAL & GENERAL INVESTMENT MANAGEMENT	IR	Overnight	AAAmmf	Aaa-mf	AAAm		£20m
MORGAN STANLEY INVESTMENT MANAGEMENT	IR	Overnight	AAAmmf	Aaa-mf	AAAm		£20m

NORTHERN TRUST ASSET MANAGEMENT	IR	Overnight	AAAmmf	Aaa-mf	AAAm		£20m
ROYAL LONDON STERLING LIQUIDITY FUND	IR	Overnight	AAAmmf	Aaa-mf	AAAm		£20m
STATE STREET GLOBAL ADVISORS ASSET MANAGEMENT	IR	Overnight	AAAmmf	Aaa-mf	AAAm		£20m
UBS ASSET MANAGEMENT	IR	Overnight	AAAmmf	Aaa-mf	-		£6.3m
AVIVA INVESTORS GOV	IR	Overnight	-	Aaa-mf	-		£20m
BLACKROCK GOV	IR	Overnight	Aaa-mf	AAAm			£20m
GOLDMAN SACHS ASSET MANAGEMENT GOV	IR	Overnight	Aaa-mf	AAAm			£11m