

Public Report
Audit Committee

Committee Name and Date of Committee Meeting

Audit Committee – 28 July 2026

Report Title

Treasury Management Update – Quarterly Report (Q1)

Is this a Key Decision and has it been included on the Forward Plan?

No

Executive Director Approving Submission of the Report

Judith Badger, Executive Director of Corporate Services

Report Author(s)

Tom Soulby

01709 822334 or tom.soulby@rotherham.gov.uk

Ward(s) Affected

Borough-Wide

Report Summary

Quarterly Treasury Update

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. This report, therefore, ensures this Council is implementing best practice in accordance with the Code.

This report is the quarter 1 review for 2026/27. It also incorporates the needs of the Prudential Code to ensure adequate monitoring of the capital expenditure plans and the Council's prudential indicators (PIs).

It is also a requirement that any proposed changes to the 2026/27 prudential indicators are approved by Council.

The key messages for Members are:

- a. Investments - the primary governing principle remains security over return and the criteria for selecting counterparties continues to reflect this.
- b. Borrowing - The Council will maintain its strategy of being under-borrowed against the capital financing requirement. The Council has refinanced £50m of temporary borrowing in the year to date.

It is anticipated that further short term borrowing will be required before the end of 2026/27. As previously reported, the Council will predominantly adopt a short-term borrowing strategy to cover this borrowing need in anticipation of lower interest rates in the medium term. There is a discounted rate with the PWLB for borrowing long term funds specifically for HRA purposes which is available until March 2027. Depending on the prevailing interest rate position the Council may utilise this rate for some long-term borrowing. The borrowing position will remain under review.

- c. Governance - strategies and monitoring are reviewed by Audit Committee.
- d. Whilst the Council's approach to Treasury Management in recent years, utilising short-term borrowing, has generated significant savings for the Council, essential to achieving balanced budgets, the future outlook is more challenging. There is increased uncertainty around the future direction of interest rates as markets respond to the recent conflict in Iran.

Recommendations

1. Audit Committee is asked to note the contents of the report.

List of Appendices Included

Appendix A Quarter 1 Prudential Indicators and Treasury Management Monitoring
Appendix B Prudential and Treasury Indicators for 2026-27 as of 30 June 2026

Background Papers

Budget and Council Tax Setting Report 2026/27 to Council on 4 March 2026,
Including the Treasury Management Strategy 2026/27

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No.

Council Approval Required

No

Exempt from the Press and Public

No.

1. Background

- 1.1 **Quarter 1 Treasury Review** – 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. This report, therefore, ensures this Council is implementing best practice in accordance with the Code.

2. Key Issues

- 2.1 **Quarter 1 Treasury Review** – The review as set out in the Appendix provides Members with details of performance against agreed treasury and prudential indicators.

- 2.2 a. Investments - the primary governing principle remains security over return and the criteria for selecting counterparties continues to reflect this.
- b. Borrowing – The Council will maintain its strategy of being under-borrowed against the capital financing requirement. The Council has refinanced £50m of temporary borrowing in the year to date.

It is anticipated that further short term borrowing will be required before the end of 2026/27. As previously reported, the Council will predominantly adopt a short-term borrowing strategy to cover this borrowing need in anticipation of lower interest rates in the medium term. There is a discounted rate with the PWLB for borrowing long term funds specifically for HRA purposes which is available until March 2027. Depending on the prevailing interest rate position the Council may utilise this rate for some long-term borrowing. The borrowing position will remain under review.

- c. Governance - strategies and monitoring are reviewed by Audit Committee.
- d. Whilst the Council's approach to Treasury Management in recent years, utilising short-term borrowing, has generated significant savings for the Council, essential to achieving balanced budgets, the future outlook is more challenging. There is increased uncertainty around the future direction of interest rates as markets respond to the recent conflict in Iran.

3. Options considered and recommended proposal

- 3.1 **Quarter 1 Treasury Review** – The review as set out in the Appendix indicates performance is in line with the plan and no proposals to vary the approach for the remainder of the year are proposed.

4. Consultation on proposal

- 4.1 The continuing approach to treasury management has been discussed with the Council's external Treasury Management Advisers, MUFG, who have confirmed this is a prudent approach given current market conditions. MUFG will continue to monitor borrowing rates and inform the Council if there are opportunities to borrow at advantageous rates.

5. Timetable and Accountability for Implementing this Decision

5.1 The report is for Audit Committee information and noting.

6. Financial and Procurement Advice and Implications

6.1 Treasury Management forms an integral part of the Council's overall financial arrangements. For the financial year 2026/27 the Treasury Management budgets are estimated to provide an underspend that will help support the Council's overall budget pressures, through income generated via the investment strategy.

6.2 The current strategy is to maintain the Council's position of being under-borrowed against the Capital Financing Requirement. The Council is forecast to require additional borrowing before the end of the 2026/27 financial year. This borrowing will be taken on a short-term basis to avoid exposure to currently high interest rates in anticipation of lower rates in future years. There is a possibility of taking some long term borrowing from the PWLB at the discounted HRA rate. A further update will be provided as part of the Council's mid year Treasury Management report.

6.3 There are no direct procurement implications arising from this report.

7. Legal Advice and Implications

7.1 It is a requirement that changes to the Council's prudential indicators are approved by Council

8. Human Resources Advice and Implications

8.1 There are no Human Resource implications arising from the report.

9. Implications for Children and Young People and Vulnerable Adults

9.1 The report does not impact the Children's and Adult Social care budgets.

10. Equalities and Human Rights Advice and Implications

10.1 There are no implications arising from this report to Equalities and Human Rights.

11. Implications for CO2 Emissions and Climate Change

11.1 No direct implications.

12. Implications for Partners

12.1 There are no implications arising from this report to Partners or other directorates.

13. Risks and Mitigation

13.1 Regular monitoring of treasury activity ensures that risks and uncertainties are addressed at an early stage and hence kept to a minimum.

14. Accountable Officers

Rob Mahon, Assistant Director of Financial Services
Natalia Govorukhina, Head of Corporate Finance

Report Author: Tom Soulby, Principal Finance Officer (Treasury)

This report is published on the Council's [website](#).

Quarter 1 Prudential Indicators and Treasury Management Monitoring

1. Introduction and Background

- 1.1 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. This report, therefore, ensures this Council is implementing best practice in accordance with the Code.
- 1.2 The underlying purpose of the report supports the objective in the CIPFA Code of Practice on Treasury Management and the Communities & Local Government Investment Guidance. This states that Members receive and adequately scrutinise information on the treasury management service.
- 1.3 The underlying economic and financial environment remains difficult for the Council, on investment the main challenge relates to concerns over investment counterparty risk. This background encourages the Council to continue maintaining investments short term and with low-risk counterparties. In the period covered by this report the Bank of England base rate has remained at 3.75%.
- 1.4 The Council has refinanced £50m of temporary borrowing in the year to date, of which £20m was refinanced with the existing lender.
- 1.5 PWLB rates fluctuate, during quarter 1 of 2026/27 the rates have seen highs of 6.35% for a 50 year PWLB loan and lows of 5.89%. These are the highest rates for a number of years. Short term borrowing rates have increased slightly with 6 month borrowing rates standing at around 4.4%, compared with 4.2% in June 2025. The Council keeps interest rates under constant review within its borrowing strategies and decisions on the mix of long-term and short-term borrowing.
- 1.6 The Executive Director Corporate Services can report that the basis of the Treasury Management Strategy, the Investment Strategy and the PIs have not changed from that set out in the approved Treasury Management Strategy (Council March 2026).

2. Annual Investment Strategy

2.1 Key Objectives

The primary objective of the Council's Investment Strategy is safeguarding the repayment of the principal and interest of its investments on time – the investment return being a secondary objective. The current difficult economic and financial climate has heightened the Council's over-riding risk consideration with regard to "Counterparty Risk". As a result of these underlying market concerns, officers continue to implement an operational investment strategy which maintains the tight controls already in place in the approved Investment Strategy.

2.1.1 The Council approach to cash balances is to minimise them and the level of borrowing taken. As a result, the Council now carries a minimal cash balance and seeks additional borrowing only as and when required to reduce the cost of carry and in anticipation of reductions in long term interest rates in the future.

2.1.2 The Council has been investing any cash surpluses into Money Market Funds which at the end of quarter 1 had interest rates of between 3.80% and 3.87%. The process for using MMF's is very efficient and effective, with the added benefit that the funds the Council can access are all AAA rated. The Council also has the option to invest with the Debt Management Office (DMO, 3.70%), Bank Deposits (e.g. Lloyds, 3.51%) and Other Local Authorities (4.50% for 12 months). All interest rates quoted are as at the end of quarter 1.

2.2 **Current Investment Position**

The Council held £47.700m of investments on 30th June 2026, and the constituent parts of the investment position are:

Sector	Country	Up to 1 year £m	1 - 2 years £m	2 – 3 years £m
Banks	UK	0.000	0	0
Local Authorities	UK	0.000	0	0
MMF's	UK	47.700	0	0
Total		47.700	0	0

2.3.0 **Risk Benchmarking**

A regulatory development is the consideration and approval of security and liquidity benchmarks. Yield benchmarks are currently widely used to assess investment performance. Discrete security and liquidity benchmarks are requirements to Member reporting and the following reports the current position against the benchmarks:

2.3.1 **Security** – The Council monitors its investments against historic levels of default by continually assessing these against the minimum criteria used in the Investment Strategy. The Council's approach to risk, the choice of counterparty criteria and length of investment ensures any risk of default is minimal when viewed against these historic default levels.

2.3.2 **Liquidity** – In respect of this area the Council set liquidity facilities/benchmarks to maintain:

- Bank overdraft – the Council does not currently have an agreed overdraft. Whilst an overdraft could be negotiated, less expensive short-term borrowing can be accessed through the financial markets.
- Liquid short-term deposits of at least £6m available within a week's notice.

The Executive Director for Corporate Services can report that liquidity arrangements were adequate during the year to date.

- 2.3.3 **Yield** – a local measure for investment yield benchmark is internal returns above the Overnight Sterling Overnight Index Average (SONIA).

The Executive Director for Corporate Services can report that the return in quarter 1 averages 3.804%, against an average Overnight SONIA to the end of June 2026 of 3.729%. The average rate of return has decreased in the last 12 months as the interest rates on investments have reduced in conjunction with the falling Bank of England base rate. Based on the Council's current average cash investments of £38.8m, the additional return achieved over the benchmark rate is £28.7k.

3. **Borrowing**

- 3.1 The first key control over the treasury activity is a Prudential Indicator (PI) to ensure that over the medium term, gross and net borrowing will only be for a capital purpose. Gross and net external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2026/27 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which would only be undertaken if this proves prudent to do so.
- 3.2 Refinancing of £50m of temporary borrowing has been refinanced as it matured. The details of the newly agreed borrowing are in the table below, while the details of the matured facilities are included at 3.4.

Lender	Amount	Interest Rate %	Maturity Date
Greater Manchester Combined Authority	£20,000,000	5.00%	August 2026
East Midlands Combined County Authority	£10,000,000	4.60%	December 2026
West Yorkshire Combined Authority	£15,000,000	4.50%	April 2027
Oxfordshire County Council	£5,000,000	4.70%	May 2027

- 3.3 The Council continues to pursue a strategy of committing to short term borrowing only, in the expectation that long term interest rates will fall in the near future. This is in line with the advice of our treasury advisors.
- 3.4 During the three months to 30 June 2026, the Council has repaid principal on annuity loans from the PWLB, and loans from the Local Authority lending market. The principal repaid, and interest rates are detailed in the table below. There are 5 Annuity loans on which variable amounts of principal are repaid each six months.

Lender	Principal	Type	Interest Rate %
PWLB	£56,642	Fixed rate (Annuity)	Various
West Midland Combined Authority	£30,000,000	Temp	4.65%
West Yorkshire Combined Authority	£15,000,000	Temp	4.15%
Oxfordshire County Council	£5,000,000	Temp	4.25%

4. Compliance with Treasury and Prudential Limits

- 4.1 The prudential and treasury Indicators are shown in Appendix 1.
- 4.2 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the quarter ended 30 June 2026, the Council has operated within the Treasury and Prudential indicators set out in the Council's Treasury Management Strategy Statement for 2026/27. The Executive Director of Corporate Services reports that no difficulties are envisaged for the current or future years in complying with these indicators.
- 4.3 All treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices.
- 4.4 Treasury Management advice continues to be provided by MUFG Corporate Markets. They were appointed for a three year term in January 2026 following a procurement exercise.

Appendix B

Prudential and Treasury Indicators for 2026/27 as of 30th June 2026

Actual and estimates of the ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (financing costs net of interest and investment income) against the net revenue stream.

	2026/27 Original Indicator %	June 2026/27 Position %
Non-HRA	12.7	11.88
HRA	13.47	13.89

The current position reflects in-year changes to the capital programme and minor fluctuations in interest rates.

Authorised limit and operational boundary for external debt

This indicator confirms the council's compliance with its authorised limit and operational boundary for external debt as at the end of June 2026. The figure for gross external debt includes other long term liabilities such as leases and PFI agreements.

Treasury Indicators	2026/27 Budget £'000	June Actual £'000
Authorised limit for external debt	1,142.713	
Operational boundary for external debt	1,042.641	
Gross external debt	1,012.641	845.594
Investments	20.000	47.700
Net borrowing	992.641	797.894

Prudential indicator limits based on debt net of investments

- **Upper Limits On Fixed Rate Exposure** – This indicator covers a maximum limit on fixed interest rates.

- **Upper Limits On Variable Rate Exposure** – Similar to the previous indicator this identifies a maximum limit for variable interest rates based upon the debt position net of investments.

RMBC	2026/27 Original Indicator	June Position
Limits on fixed interest rates based on net debt	100%	90.80%
Limits on variable interest rates based on net debt	50%	9.20%

Maturity Structures of Borrowing

These gross limits are set to reduce the Council's exposure to large fixed rate loans (those instruments which carry a fixed interest rate for the duration of the instrument) falling due for refinancing.

RMBC	2026/27 Original Indicator		June Position	
	Lower	Upper	%	£m
Under 12 months	0%	50%	19.32%	137.000
12 months to 2 years	0%	35%	9.17%	65.000
2 years to 5 years	0%	45%	0.71%	5.000
5 years to 10 years	0%	45%	0.71%	5.000
10 years to 20 years	0%	45%	5.16%	36.608
20 years to 30 years	0%	50%	7.95%	56.336
30 years to 40 years	0%	50%	11.99%	85.000
40 years to 50 years	0%	60%	35.12%	249.000
50 years and above	0%	60%	9.87%	70.000

Total Principal Funds Invested

These limits are set to reduce the need for the early sale of an investment and show limits to be placed on investments with final maturities beyond each year-end.

The Council currently has no sums invested for periods exceeding 364 days due to market conditions. To allow for any changes in those conditions the indicator has been left unchanged.

RMBC	2026/27 Original Indicator £m	June Position £m
Maximum principal sums invested > 364 days	10	0
Cash deposits	10	0