

Treasury Management Update Report

Treasury Management Activities from April 2026 to May 2026

1. Economic Highlights

- 1.1 **Growth:** UK GDP is estimated to have increased by 0.6% in Q1 2026, following growth of 0.2% in the previous quarter.
- 1.2 **Inflation:** CPI was 2.8% higher in April 2026 than a year earlier, down from 3.3% in March 2026. On a monthly basis, CPI increased by 0.7% in April 2026, the same increase as in March 2026.
- 1.3 **Labour Market:** The UK unemployment rate for January to March 2026 was 5.0%, up on the previous month. The UK employment rate for people aged 16 to 64 was 75.0% for January to March 2026.
- 1.4 **Monetary Policy Committee:** The Bank of England's Monetary Policy Committee voted by a majority of 8-1 to maintain the Bank Rate at 3.75%. One member voted to increase the Bank Rate by 0.25%.

2. Borrowing & Debt Activity

- 2.1 The Council currently has £343m in external borrowing. This is made up of £1m through Hackney Green Investment, an initiative on a crowdfunding platform to support climate action projects, £82m in short term borrowing, and £260m borrowed from the Public Works Loan Board for the housing capital programme, particularly in respect of housing regeneration.

3. Investment Policy and Activity

- 3.1 The Council held average daily cash balances of £20 million during the reported period, compared to an average £41 million for the same period last financial year.

Movement in Investment Balances 01/04/26 to 31/05/26

	Balance as at 01/04/2026 £'000	Average Rate of Interest %	Balance as at 31/05/2026 £'000	Average Rate of Interest %
Short Term Investments	0	-	0	-
Long Term Investments	200	-	200	-
Money Market Funds	23,330	-	21,810	-
	23,530	3.80	22,010	3.81

3.2 Due to the volatility of available creditworthy counterparties, short term investments have been placed in highly rated UK institutions, thus ensuring creditworthiness of investments.

4. Counterparty Update

4.1 The Council's treasury advisors have reviewed the recent acquisition of the banking business of Clydesdale Bank plc by Nationwide Building Society. As a result of the acquisition, Moody's has withdrawn all credit ratings previously assigned to Clydesdale Bank plc. Following their review, the Council's treasury advisors remain comfortable with the use of unsecured deposits with Nationwide Building Society for periods of up to six months, where this is in accordance with the Council's approved Treasury Management Strategy and investment limits. Moody's has upgraded Lancashire County Council's Baseline Credit Assessment (BCA) from baa2 to baa1. The Council's long-term credit rating remains at A2 with a stable outlook. The Council's treasury advisors remain comfortable with lending to Lancashire County Council for periods of up to two years, where this is in line with the Council's approved Treasury Management Strategy and investment limits.

4.2 Whilst the ongoing investment strategy remained cautious, counterparty credit quality remains strong, as can be demonstrated by the Credit Score Analysis summarised below.

5. Credit Score Analysis

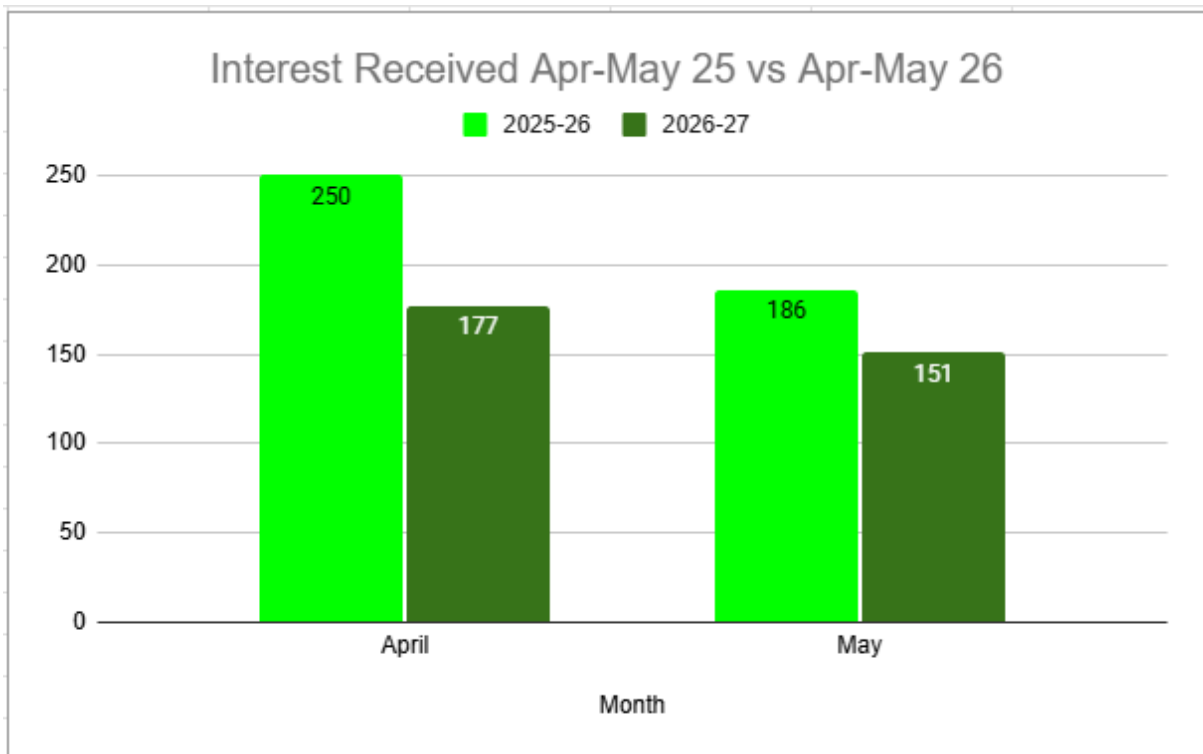
Date	Value Weighted Average – Credit Risk Score	Value Weighted Average – Credit Rating Score	Time Weighted Average – Credit Risk Score	Time Weighted Average – Credit Rating Score
30/04/2026	A+	4.6	A+	4.6
31/05/2026	A+	4.8	A+	4.8

5.1 The Council continues to utilise AAmmf/Aaa/AAAm rated Money Market Funds for its very short, liquidity-related surplus balances. This type of investment vehicle has continued to provide very good security and liquidity, although yield suffers as a result.

5.2 The Council will continue to invest in highly rated UK Government institutions, Building Societies and Housing Associations. These investment vehicles offer a good level of security and increase diversification for the Council's portfolio whilst achieving a reasonable yield.

6. Comparison of Interest Earnings

- 6.1 The Council continues to adopt a fairly cautious strategy in terms of investment counterparties and periods. Due to the volatility of available creditworthy counterparties, short term investments have been placed in highly rated institutions, thus ensuring creditworthiness whilst increasing yields through the duration of the deposits.
- 6.2 The graph below provides a comparison of interest earnings for April 2026 to May 2026 against the same period for 2025/26.
- 6.3 Average interest received for the period April 2026 to May 2026 was £164k per month compared to £218k for the same period last financial year. The reduction reflects lower cash balances, with the decline in interest rates also contributing.



7. Movement in Investment Portfolio

7.1 Investment balances have reduced to £22m at the end of May 2026, compared to £33m at the end of May 2025. It is anticipated that investment levels will continue to fluctuate as the capital programme is delivered, while sufficient liquidity will be maintained to meet day-to-day operational requirements.

