



Havering
LONDON BOROUGH

AUDIT COMMITTEE

25 November 2025

Subject Heading:

Mid-Year Treasury Management Report
2025/26

ELT Lead:

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Policy context:

The Code of Practice on Treasury
Management 2021 requires that the
Authority be provided with a mid-year
report on treasury activities

Financial summary:

The Treasury Strategy supports the
Authority's Budget Strategy.

The subject matter of this report deals with the following Council Objectives

People – Supporting our residents to stay safe and well	x
Place – A great place to live, work and enjoy	x
Resources – Enabling a resident-focused and resilient Council	x

SUMMARY

The CIPFA Treasury Management Code (Tm Code) requires that authorities report on the performance of the treasury management function to Full Council at least twice per year (mid-year and at year-end); this report covers the period from 1 April 2025 to 30 September 2025.

The Authority's Treasury Management Strategy Statement (TMSS) 2025/26 was approved by the Full Council on 26 February 2025. The TMSS aims to bring together the Council's capital programme and its budget to ensure borrowing decisions are affordable and sustainable in line with regulation.

The Authority borrowed and invested substantial sums of money and is potentially exposed to financial risk from loss of invested funds and the revenue impact from changing interest rates. This report covers activity on treasury managed investments and borrowings and the associated monitoring and control.

RECOMMENDATIONS

- To note the treasury management activities to the end of September 2025 as detailed in the report.

KEY HIGHLIGHTS

- The investment portfolio weighted average rate of return for the period 1 April 2025 to the 30 September 2025 was **4.70%**. Current investments total **£79.5m** yielding **4.26%** consisting of deposits placed with the Government Debt Management Office and a number of Local Authorities, see breakdown Appendix 2.
- The Authority's debt, totalled **£606.5m** and is fixed at an average rate of **3.70%**, with an average duration of **12.1 years**. There has been no new debt issued since the start of the financial year as cash levels have been higher than the liquidity buffer.
- During the period the Authority's treasury activities remained within the treasury limits and prudential indicators set out in the TMSS.

REPORT DETAIL

1. Introduction

This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2021). The primary requirements of the Code are as follows:

- A mid-year, treasury update report (Audit Committee 25 November 2025)
- An annual Treasury Management Strategy Statement (Full Council February 2026)
- An annual review following the end of the year describing the activity compared to the TMSS, (Audit Committee July 2026)

The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the mid-year position for treasury activities and highlights compliance with the Authority's policies previously approved by Members.

This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the first half of the 2025/26 financial year.
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy.
- The Authority's capital expenditure, as set out in the Capital Strategy, and prudential indicators.
- A review of the Authority's investment portfolio for 2025/26.
- A review of the Authority's borrowing strategy for 2025/26.
- A review of any debt rescheduling undertaken during 2025/26.
- A review of compliance with Treasury and Prudential Limits for 2025/26.

The primary focus of effective treasury management is to ensure cash flow is adequately planned, with surplus monies being invested in low-risk counterparties, providing adequate liquidity initially before considering optimising investment return.

The second main function of the treasury management service is the funding of the Authority's capital plans. These capital plans provide a guide to the borrowing need of the Authority, essentially the longer-term cash flow planning to ensure the Authority can meet its capital spending operations. This management of longer-term cash may involve arranging long or short-term loans, or using longer term cash flow surpluses, and on

occasion any debt previously drawn may be restructured to meet Authority risk or cost objectives.

Accordingly, treasury management is defined as:

“The management of the local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

2. Economics and Interest Rates

2.1 Economics Update

- The first half of 2025/26 saw:
 - A 0.3% pick up in GDP for the period April to June 2025. More recently, the economy flat lined in July, with higher taxes for businesses restraining growth.
 - The 3m/yy rate of average earnings growth excluding bonuses has fallen from 5.5% to 4.8% in July.
 - 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 4.50% to 4.25% in May, and then to 4% in August.
 - The 10-year gilt yields fluctuated between 4.4% and 4.8%. ending at 4.70%.
- From a GDP perspective, the financial year got off to a bumpy start with the 0.3% m/m fall in real GDP in April as front-running of US tariffs in Q1 (when GDP grew 0.7% on the quarter) weighed on activity. Despite the underlying reasons for the drop, it was still the first fall since October 2024 and the largest fall since October 2023. However, the economy surprised to the upside in May and June so that quarterly growth ended up 0.3% q/q. Nonetheless, the 0.0% m/m change in real GDP in July will have caused some concern, with the hikes in taxes for businesses that took place in April this year undoubtedly playing a part in restraining growth. The weak overseas environment is also likely to have contributed to the 1.3% m/m fall in manufacturing output in July. That was the second large fall in three months and left the 3m/3m rate at a 20-month low of -1.1%. The 0.1% m/m rise in services output kept its 3m/3m rate at 0.4%, supported by stronger output in the health and arts/entertainment sectors. Looking ahead, ongoing speculation about further tax rises in the Autumn Budget on 26 November will remain a drag on GDP growth for a while yet. GDP growth for 2025 is forecast by Capital Economics to be 1.3%.
- Sticking with future economic sentiment, the composite Purchasing Manager Index for the UK fell from 53.5 in August to 51.0 in September. The decline was mostly driven by a fall in the services PMI, which declined from 54.2 to 51.9. The manufacturing PMI output balance also fell, from 49.3 to 45.4. That was due to both weak overseas demand

(the new exports orders balance fell for the fourth month in a row) and the cyber-attack-induced shutdown at Jaguar Land Rover since 1 September reducing car production across the automotive supply chain. The PMIs suggest tepid growth is the best that can be expected when the Q3 GDP numbers are released.

- Turning to retail sales, and the 0.5% m/m rise in volumes in August was the third such rise in a row and was driven by gains in all the major categories except fuel sales, which fell by 2.0% m/m. Sales may have been supported by the warmer-than-usual weather. If sales were just flat in September, then in Q3 sales volumes would be up 0.7% q/q compared to the 0.2% q/q gain in Q2.
- With the November Budget edging nearer, the public finances position looks weak. Public net sector borrowing of £18.0bn in August means that after five months of the financial year, borrowing is already £11.4bn higher than the OBR forecast at the Spring Statement in March. The overshoot in the Chancellor's chosen fiscal mandate of the current budget is even greater with a cumulative deficit of £15.3bn. All this was due to both current receipts in August being lower than the OBR forecast (by £1.8bn) and current expenditure being higher (by £1.0bn). Over the first five months of the financial year, current receipts have fallen short by a total of £6.1bn (partly due to lower-than-expected self-assessment income tax) and current expenditure has overshot by a total of £3.7bn (partly due to social benefits and departmental spending). Furthermore, what very much matters now is the OBR forecasts and their impact on the current budget in 2029/30, which is when the Chancellor's fiscal mandate bites. As a general guide, Capital Economics forecasts a deficit of about £18bn, meaning the Chancellor will have to raise £28bn, mostly through higher taxes, if she wants to keep her buffer against her rule of £10bn.
- The weakening in the jobs market looked clear in the spring. May's 109,000 m/m fall in the PAYE measure of employment was the largest decline (barring the pandemic) since the data began and the seventh in as many months. The monthly change was revised lower in five of the previous seven months too, with April's 33,000 fall revised down to a 55,000 drop. More recently, however, the monthly change was revised higher in seven of the previous nine months by a total of 22,000. So instead of falling by 165,000 in total since October, payroll employment is now thought to have declined by a smaller 153,000. Even so, payroll employment has still fallen in nine of the ten months since the Chancellor announced the rises in National Insurance Contributions (NICs) for employers and the minimum wage in the October Budget. The number of job vacancies in the three months to August stood at 728,000. Vacancies have now fallen by approximately 47% since its peak in April 2022. All this suggests the labour market continues to loosen, albeit at a declining pace.
- A looser labour market is driving softer wage pressures. The 3m/yy rate of average earnings growth excluding bonuses has fallen from 5.5% in April to 4.8% in July. The rate for the private sector slipped from 5.5% to 4.7%, putting it on track to be in line with the Bank of England's Q3 forecast (4.6% for September).

- 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%. More recently, though, inflation pressures have resurfaced, although 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 too, from 3.8% to 3.6%, and services inflation dipped from 5.0% to 4.7%. So, we finish the half year in a similar position to where we 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.
- An ever-present issue throughout the past six months has been the pressure being exerted on medium and longer dated gilt yields. The yield on the 10-year gilt moved sideways in the second quarter of 2025, rising from 4.4% in early April to 4.8% in mid-April following wider global bond market volatility stemming from the "Liberation Day" tariff announcement, and then easing back as trade tensions began to de-escalate. By the end of April, the 10-year gilt yield had returned to 4.4%. In May, concerns about stickier inflation and shifting expectations about the path for interest rates led to another rise, with the 10-year gilt yield fluctuating between 4.6% and 4.75% for most of May. Thereafter, as trade tensions continued to ease and markets increasingly began to price in looser monetary policy, the 10-year yield edged lower, and ended Q2 at 4.50%.
- More recently, the yield on the 10-year gilt rose from 4.46% to 4.60% in early July as rolled-back spending cuts and uncertainty over Chancellor Reeves' future raised fiscal concerns. Although the spike proved short lived, it highlighted the UK's fragile fiscal position. In an era of high debt, high interest rates and low GDP growth, the markets are now more sensitive to fiscal risks than before the pandemic. During August, long-dated gilts underwent a particularly pronounced sell-off, climbing 22 basis points and reaching a 27-year high of 5.6% by the end of the month. While yields have since eased back, the market sell-off was driven by investor concerns over growing supply-demand imbalances, stemming from unease over the lack of fiscal consolidation and reduced demand from traditional long-dated bond purchasers like pension funds. For 10-year gilts, by late September, sticky inflation, resilient activity data and a hawkish Bank of England have kept yields elevated over 4.70%.
- The FTSE 100 fell sharply following the "Liberation Day" tariff announcement, dropping by more than 10% in the first week of April - from 8,634 on 1 April to 7,702 on 7 April. However, the de-escalation of the trade war coupled with strong corporate earnings led to a rapid rebound starting in late April. As a result, the FTSE 100 closed Q2 at 8,761, around 2% higher than its value at the end of Q1 and more than 7% above its level at the start of 2025. Since then, the FTSE 100 has enjoyed a further 4% rise in July, its strongest monthly gain since January and outperforming the S&P 500. Strong corporate earnings and progress in trade talks (US-EU, UK-India) lifted share prices and the index hit a record 9,321 in mid-August, driven by hopes of peace in Ukraine and dovish signals from Fed Chair Powell. September proved more volatile and the FTSE 100 closed Q3 at 9,350, 7% higher than at the end of Q1 and 14% higher since the start of 2025. Future performance will likely be impacted by the extent to which investors' global risk appetite remains intact, Fed rate cuts, resilience in the US economy, and AI optimism. A weaker pound will also boost the index as it inflates overseas earnings.

MPC meetings: 8 May, 19 June, 7 August, 18 September 2025

- There were four Monetary Policy Committee (MPC) meetings in the first half of the financial year. In May, the Committee cut Bank Rate from 4.50% to 4.25%, while in June policy was left unchanged. In June's vote, three MPC members (Dhingra, Ramsden and Taylor) voted for an immediate cut to 4.00%, citing loosening labour market conditions. The other six members were more cautious, as they highlighted the need to monitor for "signs of weak demand", "supply-side constraints" and higher "inflation expectations", mainly from rising food prices. By repeating the well-used phrase "gradual and careful", the MPC continued to suggest that rates would be reduced further.
- In August, a further rate cut was implemented. However, a 5-4 split vote for a rate cut to 4% laid bare the different views within the Monetary Policy Committee, with the accompanying commentary noting the decision was "finely balanced" and reiterating that future rate cuts would be undertaken "gradually and carefully". Ultimately, Governor Bailey was the casting vote for a rate cut but with the CPI measure of inflation expected to reach at least 4% later this year, the MPC will be wary of making any further rate cuts until inflation begins its slow downwards trajectory back towards 2%.
- The Bank of England does not anticipate CPI getting to 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% (Dhingra and Taylor voted for a further 25bps reduction).
- The Bank also took the opportunity to announce that they would only shrink its balance sheet by £70bn over the next 12 months, rather than £100bn. The repetition of the phrase that "a gradual and careful" approach to rate cuts is appropriate suggests the Bank still thinks interest rates will fall further but possibly not until February, which aligns with both our own view and that of the prevailing market sentiment.

2.2 Interest Rate Forecasts

The Authority has appointed MUFG Corporate Markets as its treasury advisors and part of their service is to assist the Authority to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20bps) which has been accessible to most authorities since 1 November 2012.

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, although there are upside risks in respect of the stickiness of inflation and a continuing tight labour market, as well as the size of gilt issuance.

MUFG Corporate Markets Interest Rate View 11.08.25													
	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28
BANK RATE	4.00	4.00	3.75	3.75	3.50	3.50	3.50	3.50	3.25	3.25	3.25	3.25	3.25
3 month ave earnings	4.00	4.00	3.80	3.80	3.50	3.50	3.50	3.50	3.30	3.30	3.30	3.30	3.30
6 month ave earnings	4.00	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.30	3.30	3.40	3.40	3.40
12 month ave earnings	4.00	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.30	3.40	3.50	3.60	3.60
5 yr PWLB	4.80	4.70	4.50	4.40	4.30	4.30	4.30	4.20	4.20	4.20	4.20	4.10	4.10
10 yr PWLB	5.30	5.20	5.00	4.90	4.80	4.80	4.80	4.70	4.70	4.70	4.70	4.60	4.60
25 yr PWLB	6.10	5.90	5.70	5.70	5.50	5.50	5.50	5.40	5.40	5.30	5.30	5.30	5.20
50 yr PWLB	5.80	5.60	5.40	5.40	5.30	5.30	5.30	5.20	5.20	5.10	5.10	5.00	5.00

3. Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2025/26, which includes the Annual Investment Strategy, was approved by the Authority 26 February 2025. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Authority's investment priorities as being:

- Security of capital
- Liquidity
- Yield

The Authority will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Authority's risk appetite. In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs, using the Link suggested creditworthiness approach, and the operation lending list.

Investment Counterparty criteria

The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function

Investment balances

The average weighted level of funds available for investment purposes during the first half of the financial year was **£123.7m**.

Investment performance year to date as of 30 September 2025

	Bank Rate	SONIA	1 mth	3 mth	6 mth	12 mth
High	4.50	4.46	4.47	4.36	4.28	4.17
High Date	01/04/2025	07/05/2025	03/04/2025	01/04/2025	02/04/2025	02/04/2025
Low	4.00	3.97	3.97	3.96	3.89	3.75
Low Date	07/08/2025	29/08/2025	16/09/2025	08/09/2025	07/08/2025	04/08/2025
Average	4.23	4.19	4.16	4.10	4.01	3.88
Spread	0.50	0.49	0.50	0.39	0.39	0.42

The table above covers the first half of 2025/26.

Period	SONIA 3 month benchmark return	Authority performance	Investment interest earned
3 month	4.10	4.70	£2.9m

The Authority *outperformed* the benchmark by **60 bps**. The Authority's budgeted investment return for 2025/26 is **£1.25m**, and performance for the year to date is **£1.65m** above budget.

Approved limits

Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the period ended 30 September 2025, a full list of investments held as of 30 September 2025 is in appendix 2.

4. The Authority's Capital Position (Prudential Indicators) 2025/26

- The following tables show the Authority's capital expenditure plans, how these plans are being financed. The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow.

4.1 Prudential Indicator for Capital Expenditure

This table shows the revised estimates for capital expenditure and the changes since the capital programme was last reported to Members.

Capital Expenditure	2025/26 (P3) Forecast £m	2025/26 (P6) Forecast £m
GF (exc Regeneration)	44.7	48.0
Regeneration	33.8	31.8
Total GF	78.5	79.8
HRA	171.6	161.4
Total Cap Expenditure	250.1	241.2

As a result of the slippage in the capital programme cash balances have remained higher than originally forecast and borrowing has been delayed. This has resulted in higher treasury investment income and lower interest borrowing cost, leading to a forecast underspend for the financial year of £1.5m. This is reflected in the latest period 6 reporting to members.

4.2 Changes to the Prudential Indicators for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary

The table below shows the elements that make up the Authorities CFR, which is the underlying external need to incur borrowing. The difference between the underlying need to borrow and the actual borrowing is what is referred to as 'internal borrowing' .

Internal Borrowing is capital expenditure already incurred (and this includes any revenue expenditure finance from capital under EFS arrangements) where the Authority has yet to actually physically borrow and instead is temporarily funded from reserves and working capital.

Prudential Indicator – Capital Financing Requirement

The Authority's Capital Financing Requirement (CFR), is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Authority's indebtedness and its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, through a revenue or capital resource, (e.g. by capital grants), will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, charges the economic consumption of capital assets as they are used.

Prudential Indicator – the Capital Financing Requirement (CFR)

	31/3/2025 TMSS Actual £m	31/3/2026 TMSS Estimate £m	31/3/26 (P6) Forecast £m
Prudential Indicator – CFR			
CFR – GF (excluding regen)	165.0	184.8	172.3
CFR – Regeneration	90.6	144.8	117.8
CFR – Exceptional financial support	30.4	120.0	98.9
Total GF CFR	286.0	449.6	389.0
CFR – HRA	430.9	543.2	528.0
Total CFR	716.9	992.8	917.0
Debt	606.5	885.1	875.0
Internal borrowing	110.4	107.7	42.0

4.3 Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. **Gross 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 2025/26 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Authority has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

Operational limit of external debt	2025/26 TMSS £m
Borrowing	1,035.4
Other long-term liabilities	10
Total	1,045.4
Forecast debt	875.0

A further prudential indicator controls the overall level of borrowing. This is **the Authorised Limit** which represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised limit for external debt	2025/26 TMSS £m
Borrowing	1,085.4
Other long-term liabilities*	10
Total	1,095.4
Forecast debt	917.0

The authority, throughout the first half of the year has kept within both the operational and authorised limit.

5. Borrowing

The Authority's capital financing requirement (CFR) at the start of 2025/26 was £716.9m and was forecast to rise to £917m by the year end. The CFR denotes the Authority's underlying need to borrow for capital purposes. If the CFR is positive the Authority may borrow from the PWLB or the market (external borrowing), or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions.

The capital programme is being kept under regular review due to the effects of on-going budgetary pressures. Our borrowing strategy will, therefore, also be regularly reviewed and then revised, if necessary, to achieve optimum value and risk exposure in the long-term.

It is anticipated that further borrowing will be undertaken during this financial year to re finance maturing PWLB debt in February and March 2026, see table in Appendix 1, for current debt outstanding.

PWLB maturity certainty rates (gilts plus 80bps) year to date to 30 September 2025

Gilt yields and PWLB certainty rates have remained relatively volatile throughout the six months under review, but the general trend has been for medium and longer dated parts of the curve to shift higher whilst the 5-year part of the curve finished September close to where it begun in April.

Concerns around the stickiness of inflation, elevated wages, households' inflation expectations reaching a six-year high, and the difficult funding choices facing the Chancellor in the upcoming Budget on 26 November dominated market thinking, although international factors emanating from the Trump administration's fiscal, tariff and geo-political policies also played a role.

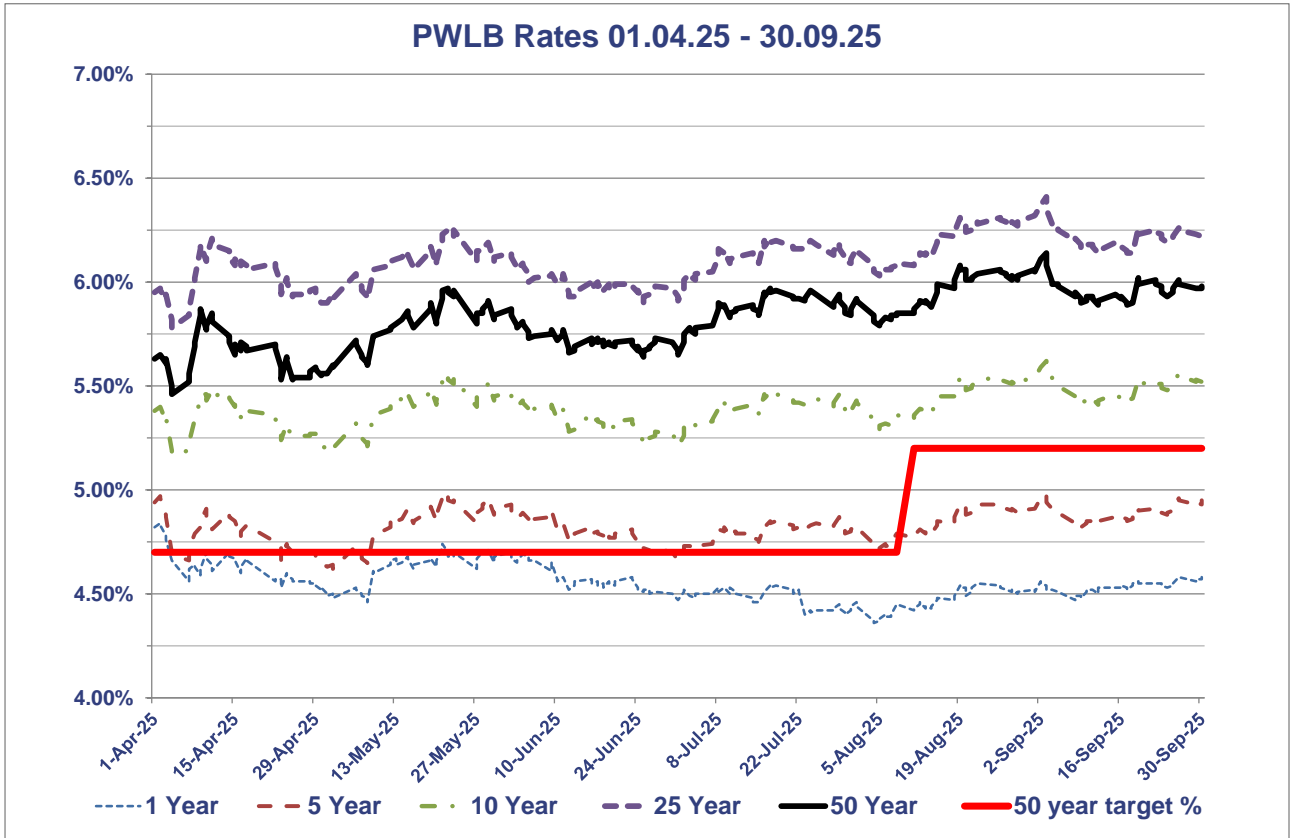
At the beginning of April, the 1-year certainty rate was the cheapest part of the curve at 4.82% whilst the 25-year rate was relatively expensive at 5.92%. Early September saw the high point for medium and longer-dated rates, although there was a small reduction in rates, comparatively speaking, by the end of the month.

The spread in the 5-year part of the curve (the difference between the lowest and highest rates for the duration) was the smallest at 37 basis points whilst, conversely, the 50-years' part of the curve saw a spread of 68 basis points.

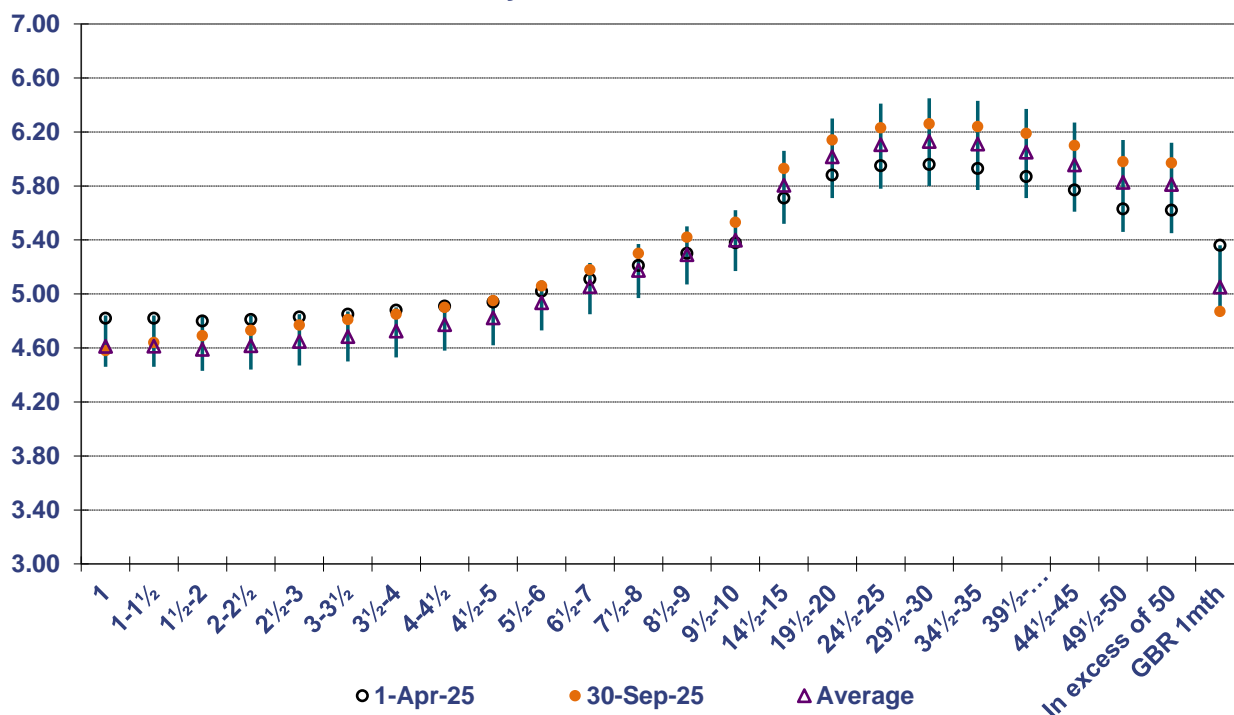
At this juncture, MUFG Corporate Markets still forecasts rates to fall back over the next two to three years as inflation dampens, although there is upside risk to all forecasts at present. The CPI measure of inflation is expected to fall below 2% in early 2027 but hit a peak of 4% or higher later in 2025.

The Bank of England announced in September that it would be favouring the short and medium part of the curve for the foreseeable future when issuing gilts, but market reaction to the November Budget is likely to be the decisive factor in future gilt market attractiveness to investors and their willingness to buy UK sovereign debt.

PWLB RATES 01.04.25 - 30.09.25



PWLB Certainty Rate Variations 01.04.25 to 30.09.25



HIGH/LOW/AVERAGE PWLB RATES FOR 01.04.25 – 30.09.25

	1 Year	5 Year	10 Year	25 Year	50 Year
01/04/2025	4.82%	4.94%	5.38%	5.95%	5.63%
30/09/2025	4.58%	4.95%	5.53%	6.23%	5.98%
Low	4.36%	4.62%	5.17%	5.78%	5.46%
Low date	04/08/2025	02/05/2025	02/05/2025	04/04/2025	04/04/2025
High	4.84%	4.99%	5.62%	6.41%	6.14%
High date	02/04/2025	21/05/2025	03/09/2025	03/09/2025	03/09/2025
Average	4.55%	4.82%	5.40%	6.11%	5.83%
Spread	0.48%	0.37%	0.45%	0.63%	0.68%

- The current PWLB rates are set as margins over gilt yields as follows: -
 - **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
 - **PWLB Certainty Rate (GF)** is gilt plus 80 basis points (G+80bps)
 - **PWLB Local Infrastructure Rate** is gilt plus 60 basis points (G+60bps)
 - **PWLB Certainty Rate (HRA)** is gilt plus 40bps (G+40bps)
- The **National Wealth Fund** will lend to local authorities that meet its scheme criteria at a rate currently set at gilt plus 40bps (G+40bps).

6. Debt Rescheduling

Debt repayment and rescheduling opportunities have increased over the course of the past six months and will be considered if giving rise to long-term savings. However, no debt repayments or rescheduling have been undertaken to date in the current financial year.

7. Compliance with Treasury and Prudential Limits

It is a statutory duty for the Authority to determine and keep under review the affordable borrowing limits. During the half year ended 30 September 2025, the Authority has operated within the treasury and prudential indicators set out in the Authority's Treasury Management Strategy Statement for 2025/26.

All treasury management operations have also been conducted in full compliance with the Authority's Treasury Management Practices.

IMPLICATIONS AND RISKS

Financial implications and risks:

The Authority uses MUFG corporate markets as its external treasury management advisors.

The Authority recognises that responsibility for treasury management decisions remains with the organisation at all times. All decisions will be undertaken with regards to all available information, including, but not solely our treasury adviser.

Risk is inherent in all treasury activity. The Investment Strategy identifies the risk associated with different classes of investment instruments and sets the parameters within which treasury activities can be undertaken and controls and processes appropriate for that risk.

Treasury operations are undertaken by nominated officers as prescribed by the Treasury Management Policy Statement as approved by the Council.

Legal implications and risks:

There are no direct legal implications or risks from noting this report.

Part 1, Chapter 1 of the Local Government Act 2003, provides that the Council may borrow money for any purpose relevant to its functions, or for the purposes of the prudent management of its financial affairs. It must determine and keep under review its borrowing limit and how much money it can afford to borrow.

In doing so, the Authority must have regard to the CIPFA Code of Practice on Treasury Management and the Prudential Code for Capital Finance in Local Authorities. This report has been produced in accordance with both codes.

Human Resources implications and risks:

There are no HR implications from this report

Equalities implications and risks:

There are no Equalities implications arising from this report.

The report has no direct equalities implications.

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have 'due regard' to:

- (i) The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- (ii) The need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- (iii) Foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are age, disability, gender reassignment, marriage and civil partnerships, pregnancy and maternity, race, religion or belief, sex/gender, and sexual orientation.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants.

Health and Wellbeing implications and risks:

The Council is committed to improving the quality of life and wellbeing for all Havering employees and residents in respect of socio-economics and health determinants. Whilst there are no direct implications to the Council's workforce and residents health and wellbeing as a result of this report.

ENVIROMENTAL AND CLIMATE CHANGE IMPLICATIONS AND RISKS

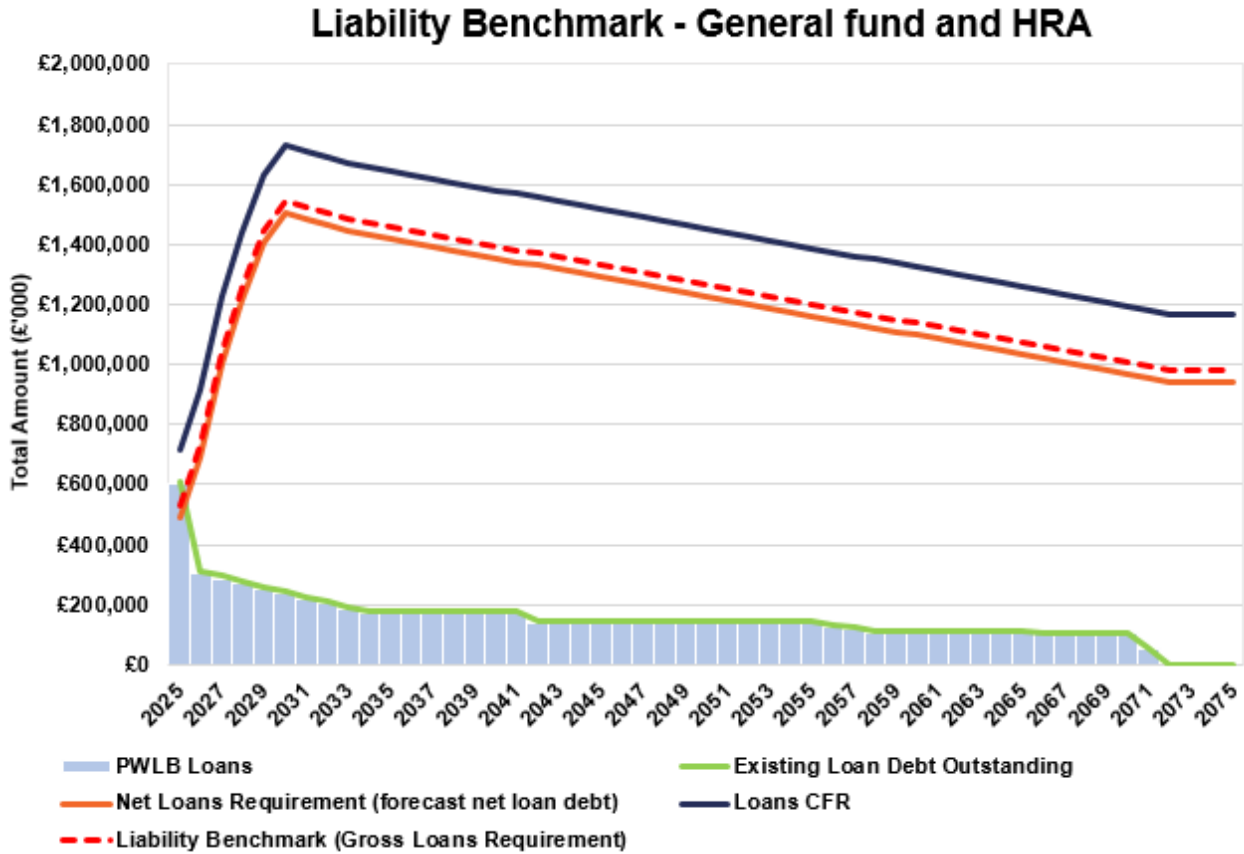
There are no implications from this report

BACKGROUND PAPERS

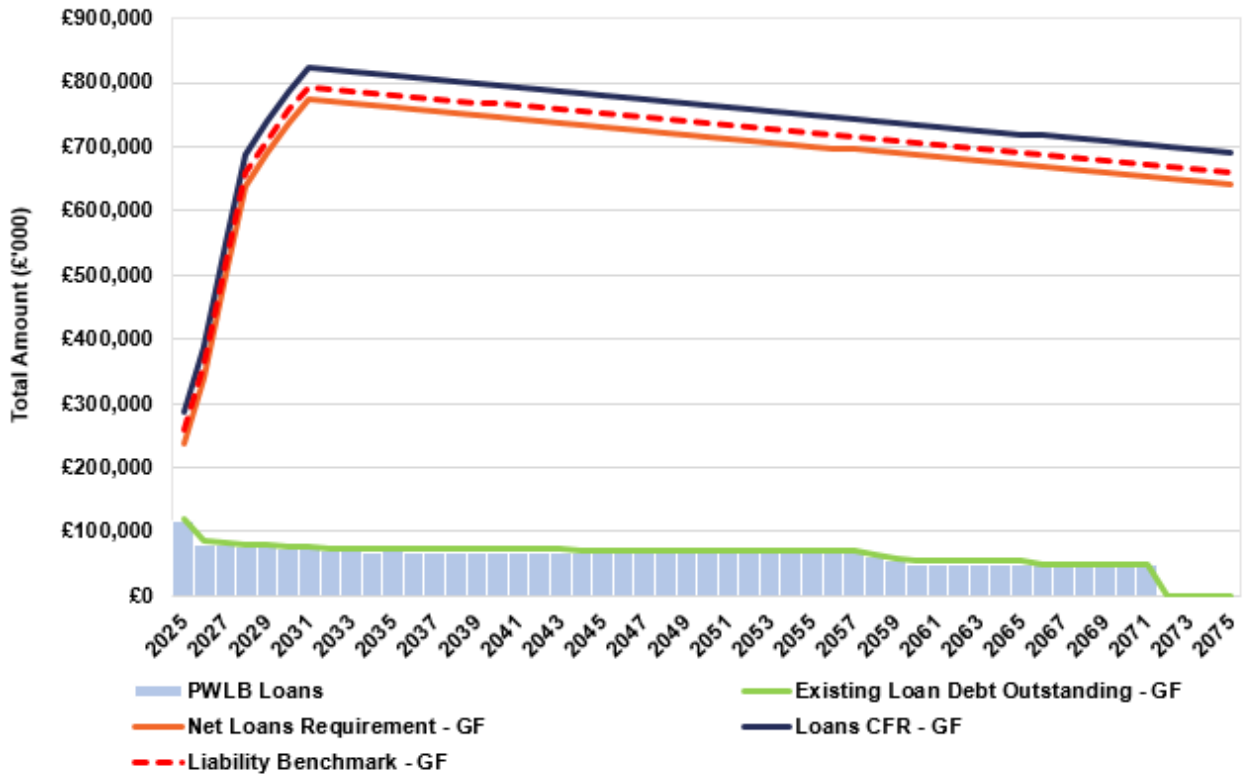
None

APPENDIX 1: The CFR, Liability Benchmark and Borrowing

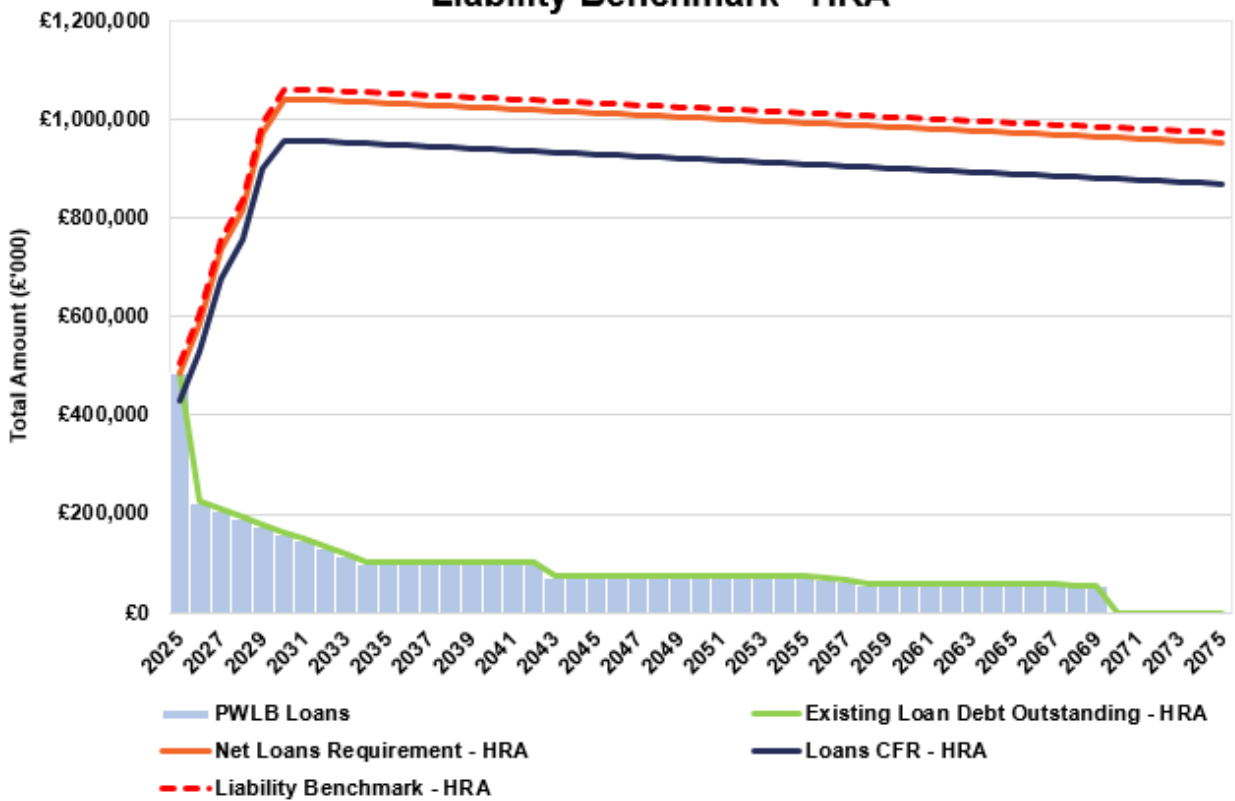
The following graphs show the Liability benchmark for the authority and the split between the general fund and the HRA.



Liability Benchmark - General Fund



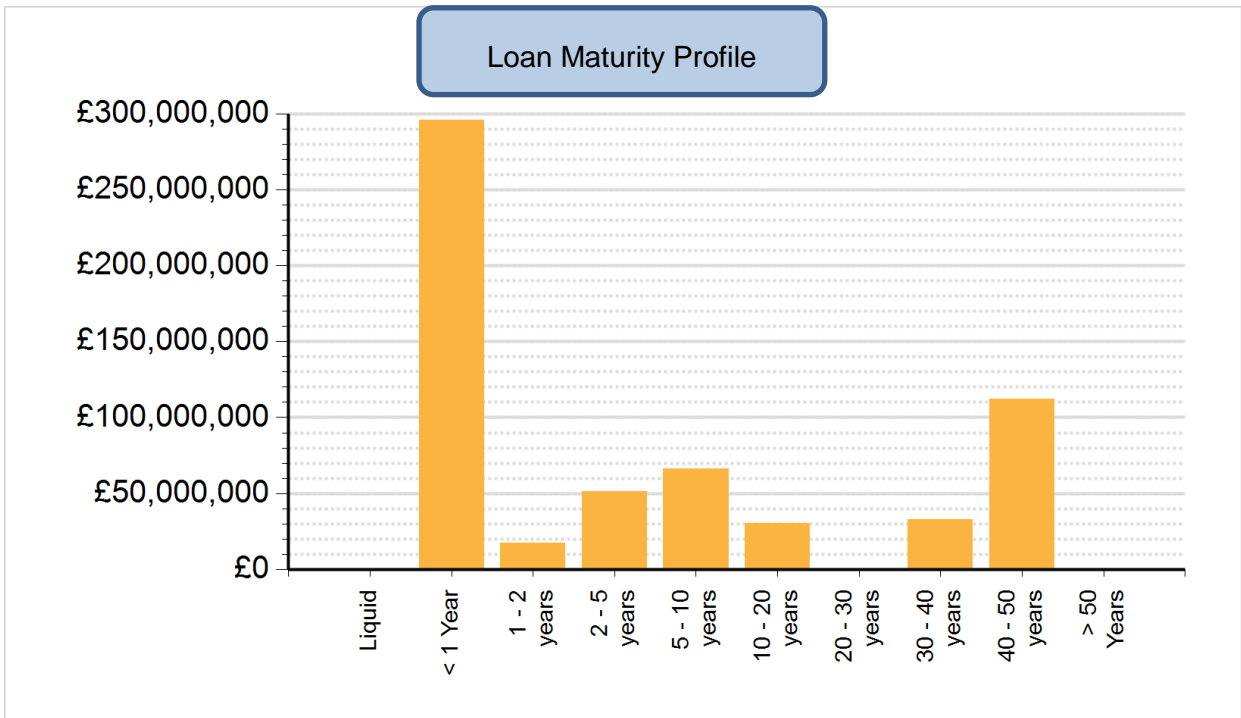
Liability Benchmark - HRA



Borrowings as of 30 September 2025

Class	Start Date	Maturity Date	Counterparty	Rate	Principal (£)
Loan	29/11/24	01/12/25	PWLB	4.7600%	20,000,000.00
Loan	20/12/24	22/12/25	PWLB	4.6500%	30,000,000.00
Loan	19/02/25	19/02/26	PWLB	4.5000%	75,000,000.00
Loan	28/02/25	28/02/26	PWLB	4.4800%	80,000,000.00
Loan	19/03/25	19/03/26	PWLB	4.4600%	25,000,000.00
Loan	27/03/25	27/03/26	PWLB	4.4500%	28,000,000.00
Loan	28/03/12	28/03/26	PWLB	2.9200%	2,801,126.17
Loan	28/03/12	28/03/26	PWLB	2.9200%	248,473.83
Loan	31/03/25	31/03/26	PWLB	4.8800%	35,000,000.00
Loan	28/03/12	28/03/27	PWLB	3.0100%	15,178,400.38
Loan	28/03/12	28/03/27	PWLB	3.0100%	1,346,399.62
Loan	14/07/99	27/06/27	PWLB	4.7500%	478,411.83
Loan	14/07/99	27/06/27	PWLB	4.7500%	500,694.11
Loan	28/03/12	28/03/28	PWLB	3.0800%	15,178,400.38
Loan	28/03/12	28/03/28	PWLB	3.0800%	1,346,399.62
Loan	23/07/98	04/04/28	PWLB	5.5000%	956,823.67
Loan	23/07/98	04/04/28	PWLB	5.5000%	1,001,388.21
Loan	28/03/12	28/03/29	PWLB	3.1500%	15,178,400.38
Loan	28/03/12	28/03/29	PWLB	3.1500%	1,346,399.62
Loan	28/03/12	28/03/30	PWLB	3.2100%	15,178,400.38
Loan	28/03/12	28/03/30	PWLB	3.2100%	1,346,399.62
Loan	28/03/12	28/03/31	PWLB	3.2600%	15,178,400.38
Loan	28/03/12	28/03/31	PWLB	3.2600%	1,346,399.62
Loan	28/03/12	28/03/32	PWLB	3.3000%	15,178,400.38
Loan	28/03/12	28/03/32	PWLB	3.3000%	1,346,399.62
Loan	28/03/12	28/03/33	PWLB	3.3400%	15,178,400.38
Loan	28/03/12	28/03/33	PWLB	3.3400%	1,346,399.62
Loan	28/03/12	28/03/34	PWLB	3.3700%	15,178,400.38
Loan	28/03/12	28/03/34	PWLB	3.3700%	1,346,399.62
Loan	28/03/12	28/03/42	PWLB	3.5000%	27,555,674.58
Loan	28/03/12	28/03/42	PWLB	3.5000%	2,444,325.42
Loan	01/04/94	01/04/44	Richard Beard	0.3800%	6,500.00
Loan	01/04/94	01/04/44	Lucas Playsite	0.3800%	165,508.60
Loan	01/04/96	01/04/46	Havering Theatre Trust	0.3800%	200,443.60
Loan	23/01/06	23/01/56	PWLB	3.7000%	956,823.67
Loan	23/01/06	23/01/56	PWLB	3.7000%	1,001,388.21
Loan	27/01/06	23/01/56	PWLB	3.7000%	956,823.67
Loan	27/01/06	23/01/56	PWLB	3.7000%	1,001,388.21

Loan	31/01/06	23/01/56	PWLB	3.9000%	956,823.67
Loan	31/01/06	23/01/56	PWLB	3.9000%	1,001,388.21
Loan	14/03/06	14/03/56	PWLB	4.1000%	2,818,135.14
Loan	14/03/06	14/03/56	PWLB	4.1000%	2,949,391.21
Loan	06/04/06	04/04/56	PWLB	4.2000%	642,028.68
Loan	06/04/06	04/04/56	PWLB	4.2000%	671,931.49
Loan	16/06/06	16/06/56	PWLB	4.2500%	1,210,674.25
Loan	16/06/06	16/06/56	PWLB	4.2500%	1,267,062.01
Loan	31/08/06	28/08/56	PWLB	4.2000%	478,411.83
Loan	31/08/06	28/08/56	PWLB	4.2000%	500,694.11
Loan	08/03/07	28/02/57	PWLB	4.2500%	2,392,059.17
Loan	08/03/07	28/02/57	PWLB	4.2500%	2,503,470.53
Loan	07/08/97	01/08/57	PWLB	6.8750%	1,435,235.50
Loan	07/08/97	01/08/57	PWLB	6.8750%	1,502,082.32
Loan	22/12/97	01/08/57	PWLB	6.2500%	334,888.28
Loan	22/12/97	01/08/57	PWLB	6.2500%	350,485.88
Loan	05/08/97	05/08/57	PWLB	6.8750%	3,588,088.75
Loan	05/08/97	05/08/57	PWLB	6.8750%	3,755,205.80
Loan	04/03/98	01/02/58	PWLB	6.0000%	334,888.28
Loan	04/03/98	01/02/58	PWLB	6.0000%	350,485.88
Loan	18/11/05	18/11/65	Danske Bank	3.6000%	3,420,347.79
Loan	18/11/05	18/11/65	Danske Bank	3.6000%	3,579,652.21
Loan	01/12/20	01/12/69	PWLB	1.5300%	30,000,000.00
Loan	24/03/20	24/03/70	PWLB	1.4800%	25,000,000.00
Loan	08/11/21	08/11/71	PWLB	1.7000%	25,000,000.00
Loan	29/12/21	29/12/71	PWLB	1.4300%	25,000,000.00
Loan Total				3.7001%	606,517,624.77



APPENDIX 2: Investment Portfolio

Investments held as of 30 September 2025

Class	Start Date	Maturity Date	Counterparty	Rate	Principal (£)
Deposit	30/09/25	01/10/25	DMADF (Debt Management Account Deposit Facility)	3.9500%	9,500,000.00
Deposit	08/09/25	10/10/25	Leeds City Council	4.1000%	5,000,000.00
Deposit	17/04/25	17/10/25	Cherwell District Council	4.5000%	5,000,000.00
Deposit	30/09/25	21/10/25	Cheshire East Council	4.1500%	5,000,000.00
Deposit	24/04/25	27/10/25	Surrey Heath Borough Council	4.7000%	5,000,000.00
Deposit	25/09/25	27/10/25	Medway Council	4.1000%	5,000,000.00
Deposit	06/05/25	06/11/25	Gloucester City Council	4.8500%	5,000,000.00
Deposit	21/05/25	21/11/25	Ashford Borough Council	4.7000%	5,000,000.00
Deposit	22/09/25	05/12/25	Dover District Council	4.1500%	5,000,000.00
Deposit	26/08/25	15/12/25	Flintshire County Council	4.1500%	5,000,000.00
Deposit	29/08/25	18/12/25	Suffolk County Council	4.1500%	5,000,000.00
Deposit	12/09/25	19/12/25	North East Lincolnshire Council	4.1500%	5,000,000.00
Deposit	12/09/25	19/12/25	East Dunbartonshire Council	4.1500%	5,000,000.00
Deposit	15/09/25	19/12/25	London Borough of Hackney	4.2500%	5,000,000.00
Deposit	08/09/25	07/01/26	Highland Council	4.2000%	5,000,000.00
Deposit Total				4.2645%	79,500,000.00

APPENDIX 3: Glossary of Terms

Glossary of Terms

A bond is a debt instrument in which an investor lends money for a specified period of time at a fixed rate of interest. The issuing entity could be corporate, financial or government.

A floating rate note (FRN) is a money market instrument with a Floating/variable rate of interest, which re-fixes over a reference rate, for example 3 month LIBOR.

Bail in is rescuing a financial institution on the brink of failure by making its creditors and depositors take a loss on their holdings. A **bail-in** is the opposite of a **bail-out**, which involves the rescue of a financial institution by external parties, typically governments using taxpayer's money.

Borrowing Requirements The principal amount the Council requires to borrow to finance capital expenditure and loan redemptions.

Capital Financing Requirement (CFR) Capital Financing Requirement- a measure of the Council's underlying need to borrow to fund capital expenditure.

Certificates of deposit (CDs) are a negotiable form of fixed deposit, ranked pari passu with fixed deposits. The difference is that you are not obligated to hold the CD to maturity, you can realise the cash by selling in the secondary market.

Coupon is the total amount of interest a security will pay. The coupon period depends on the security. A CD will often pay interest at maturity, while a bond may pay semi-annually or annually and an FRN will most likely pay every 3 months.

Covered bond Covered bonds are conventional bonds (fixed or floating) issued by financial institutions, that are backed by a separate group of loans, usually prime residential mortgages. This lowers the creditor's exposure to default risk, enhancing the credit. This is why the issue is usually rated AAA, higher than the rating given to the issuer reduces exposure to bail-in risk.

Counterparties Organisations or Institutions the Council lends money to e.g. Banks; Local Authorities and MMFs.

CPIH (Consumer Prices Index including owner occupiers' housing costs) The new additional measure of consumer price inflation including a measure of owner occupiers' housing costs (OOH). CPI inflation measure excludes housing costs.

CPI (Consumer Prices Index) this measure excludes housing costs.

Credit Default Swap (CDS) A kind of protection that can be purchased by MMF companies from insurance companies (for their investment) in exchange for a payoff if the organisation they have invested in does not repay the loan i.e. they default.

Credit rating A measure of the credit worthiness of a borrower. A credit rating can be assigned to country, organisation or specific debt issue/ financial obligation. There are a number of credit ratings agencies but the main 3 are Standard & Poor's, Fitch or Moody's.

Credit Watch A scoring system issued by credit rating agencies such as Fitch, Moody's and Standard & Poor's that indicate the financial strength and other factors of a bank or similar Institution.

DMO (Debt Management Office) a department in the treasury where deposits can be placed with the government.

Interest Rate Exposures A measure of the proportion of money invested and what impact movements in the financial markets would have on them.

LOBO Loan (Lender Option, Buyer Option) loan, the lender who has the option to propose an increase in the interest rate at set dates, while the borrower has the option to either accept the new rate or to repay the loan at no additional cost.

Market Loans Loans from banks available from the London Money Market including LOBOS (Lender Option, Borrowing Option) which enable the authority to take advantage of low fixed interest for a number of years before an agreed variable rate comes into force.

MIFID is the Markets in Financial Instruments Directive. A European Union Directive.

Minimum Revenue Provision (MRP) this is the amount which must be set aside from the revenue budget each year to cover future repayment of loans.

Money Market Fund (MMF) A 'pool' of different types of investments managed by a fund manager that invests in lightly liquid short term financial instruments with high credit rating.

Monetary Policy Committee (MPC) is a committee of the [Bank of England](#), which meets for three and a half days, eight times a year, to decide the official [interest rate](#) in the [United Kingdom](#) (the [Bank of England Base Rate](#)).

Principal is the total amount being borrowed or lent.

PWLB Loan, (Public Works Loan Board),The PWLB lending facility is operated by the UK Debt Management Office (DMO) on behalf of HM Treasury and provides loans to local authorities, and other specified bodies, from the National Loans Fund, operating within a policy framework set by HM Treasury.

SONIA sterling overnight interest average rate, the average rate at which banks offer funds in the overnight sterling market.

Spread is the difference between the buy and sell price of a security. It can also be the gap, usually in basis points, between the yield of a security and the benchmark security.

Treasury bills (T-bills) are UK government rated, short-dated form of Government debt, issued by the Debt Management Office (DMO) via a weekly tender. T-bills are normally issued for one, three or six month duration