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## NORTH WALES CORPORATE JOINT COMMITTEE

28 November 2025

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**TITLE:** Treasury Management 2025/26 – Mid Year Review

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### 1. PURPOSE OF THE REPORT

- 1.1. The purpose of this report is to provide a mid-year review of the Corporate Joint Committee's (CJC) 2025/26 Treasury Management Strategy.

### 2. DECISIONS SOUGHT

- 2.1. To note and accept the report for information.

### 3. REASONS FOR THE DECISION

- 3.1. The CJC has adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the CJC to approve, as a minimum, treasury management semi- annual and annual outturn reports.

### 4. BACKGROUND AND RELEVANT CONSIDERATIONS

- 4.1. The CJC's treasury management strategy for 2025/26 was approved at its meeting on 13th June 2025. The CJC has invested significant amounts of money and is therefore exposed to financial risks, including the loss of invested money and the revenue impact of changing interest rates. Successful identification, monitoring, and risk management are central to the CJC's treasury management strategy.

### 5. FINANCIAL IMPLICATIONS

#### External Context

- 5.1. **Economic background:** The first quarter was dominated by the fallout from the US trade tariffs and their impact on equity and bond markets. The second quarter, still rife with uncertainty, saw equity markets making gains and a divergence in US and UK government bond yields, which had been moving relatively closely together.
- 5.2. 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.
- 5.3. UK headline annual consumer price inflation (CPI) increased over the period, rising from 2.6% in March to 3.8% in August, still well above the Bank of England's 2% target. Core inflation also

rose, from 3.4% to 3.6% over the same period, albeit the August reading was down % from 3.8% the previous month. Services inflation also fell from July to August, to 4.7% from 5.0%.

- 5.4. The UK economy expanded by 0.7% in the first quarter of the calendar year and by 0.3% in the second quarter. In the final version of the Q2 2025 GDP report, annual growth was revised upwards to 1.4% y/y. However, monthly figures showed zero growth in July, in line with expectations, indicating a sluggish start to Q3.
- 5.5. Labour market data continued to soften throughout the period, with the unemployment rate rising and earnings growth easing, but probably not to an extent that would make the more hawkish MPC members comfortable with further rate cuts. In addition, the employment rate rose while the economic inactivity rate and number of vacancies fell.
- 5.6. The BoE's Monetary Policy Committee (MPC) cut Bank Rate from 4.5% to 4.25% in May and to 4.0% in August after an unprecedented second round of voting. The final 5-4 vote was for a 25bps cut, with the minority wanting no change. In September, seven MPC members voted to hold rates while two preferred a 25bps cut. The Committee's views still differ on whether the upside risks from inflation expectations and wage setting outweigh downside risks from weaker demand and growth.
- 5.7. The August BoE Monetary Policy Report highlighted that after peaking in Q3 2025, inflation is projected to fall back to target by mid-2027, helped by increasing spare capacity in the economy and the ongoing effects from past tighter policy rates. GDP is expected to remain weak in the near-term while over the medium term outlook will be influenced by domestic and global developments.
- 5.8. Arlingclose, the CJC's treasury adviser, maintained its central view that Bank Rate would be cut further as the BoE focused on weak GDP growth more than higher inflation. One more cut is currently expected during 2025/26, taking Bank Rate to 3.75%. The risks to the forecast are balanced in the near-term but weighted to the downside further out as weak consumer sentiment and business confidence and investment continue to constrain growth. There is also considerable uncertainty around the autumn Budget and the impact this will have on the outlook.
- 5.9. **Credit review:** Arlingclose maintained its recommended maximum unsecured duration limit on the majority of the banks on its counterparty list at 6 months. The other banks remain on 100 days.
- 5.10. Financial market volatility is expected to remain a feature, at least in the near term and, credit default swap levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the CJC's counterparty list recommended by Arlingclose remain under constant review.

#### Local Context

- 5.11. As at 31 September 2025 the CJC had investments of £44.5m mainly due to unspent Growth Deal grant.

## Treasury Management Summary

	<b>1.4.25 Balance £m</b>	<b>Movement 6 Months £m</b>	<b>30.9.25 Balance £m</b>
Short-term investments	0.0	22.3	22.3
Cash and cash equivalents	1.4	20.8	22.2
<b>Total investments</b>	<b>1.4</b>	<b>43.1</b>	<b>44.5</b>

## Treasury Management Activity

- 5.12. The revised CIPFA Treasury Management Code defines treasury management investments as those arising from the cash flow of the CJC or treasury risk management activity that ultimately represent balances that need to be invested until the cash is needed to be used in the course of a business.
- 5.13. The CJC has invested funds, which represent income received before expenditure along with balances and reserves. During the 6 months, the CJC's investment balance ranged between £1.4 and £54.8 million as NWEAB funding was transferred to the CJC at the start of the period. The position of investments during the period is shown in the table below.

## Treasury Investment Position

	<b>1.4.25 Balance £m</b>	<b>Movement 6 Months £m</b>	<b>30.9.25 Balance £m</b>	<b>30.9.25 Income %</b>
Banks & building societies	1.4	0.8	2.2	3.4
Local authorities	0.0	15.0	15.0	4.1
Money Market Funds	0.0	20.0	20.0	4.1
Debt Management Office	0.0	7.3	7.3	4.0
<b>Total Investments</b>	<b>1.4</b>	<b>43.1</b>	<b>44.5</b>	

- 5.14. The CIPFA Code and government guidance require the CJC to invest its money prudently, taking into account the safety and liquidity of its investments before striving for the highest rate of return, or the highest yield. The objective of the CJC in investing money is to strike the right balance between risk and return, reducing the risk of losses from defaulting investments and the risk of receiving unsuitably low income on investments.
- 5.15. The Bank Rate fell from 4.50% to 4.25% in May 2025, with a further reduction to 4.00% in August 2025. Short-term interest rates are around the same level. The rates on DMADF deposits ranged between 3.95% and 4.45% and Money Market Funds Rates between 4.03% and 4.31%.

## Compliance

- 5.16. The CJC'S Statutory Finance Officer can confirm that treasury management activities undertaken during the period are in compliance with the CIPFA Code of Practice and the approved CJC Treasury Management Strategy. Compliance with certain investment limits is shown in the table below.

### Investment Limits

	Counterparty Maximum During period	Counterparty 30.9.25 Actual	Counterparty 2025/26 Limit	Complied
The UK Government	£53.3m	£7.3m	Unlimited	✓
Local authorities and other government entities	£5m	£5m	£5m	✓
Secured investments	£0m	£0m	£5m	✓
Banks (unsecured)	£2.7m	£2.2m	£3m	✓
Building societies (unsecured)	£0m	£0m	£3m	✓
Registered providers (unsecured)	£0m	£0m	£3m	✓
Money market funds	£5m	£5m	£5m	✓

### Investment Training

- 5.17. During the time, officers have attended investment training with Arlingclose that is relevant to their jobs.

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#### STATUTORY OFFICERS RESPONSE:

i. **Monitoring Officer:**

No observations to add in relation to propriety.

ii. **Statutory Finance Officer:**

I can confirm that I am satisfied with the accuracy of the report's contents.