1. INTRODUCTION

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

The Joint Committee's treasury management strategy for 2026/27 was approved at its meeting on 20 March 2026. The Joint Committee 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 Joint Committee's treasury management strategy.

2. EXTERNAL CONTEXT

Economic background: The key story remained the conflict in the Middle East and its impact on global energy prices and inflation, while on the UK politics side, Andy Burham became the new Prime Minister. Although energy prices had shown signs of moderating towards the end of (calendar) Q2, the continuing conflict pushed oil and gas up sharply once again in Q3. Around mid-September, Brent oil and UK gas prices were over 30% and 70% higher respectively compared to the period preceding the Bank of England's (BoE) July Monetary Policy Report (MPR).

Given the inflationary impact of the previous energy shock from the Russia/Ukraine war, central bank policymakers remained alert to higher energy prices feeding into wider price and wage-setting behaviour ('second-round effects'). In the UK, higher fuel and energy prices were evident in headline inflation, but there was limited evidence of material second-round effects. At the same time, underlying wage pressures continued to moderate, and the labour market remained relatively loose.

The BoE's Monetary Policy Committee (MPC) maintained Bank Rate at 3.75% throughout the period. In April the MPC voted by 8-1 to leave rates unchanged, with one member wanting a 0.25% increase. The voting moved to 7-2 in June and 6-3 in both July and September, with all dissenters preferring to increase Bank Rate to 4.00%. The change in voting patterns reflected increasing policymaker concern over the persistence of the energy shock and the risk that higher headline inflation could become embedded in domestic prices and wages.

At the September MPC meeting, the Committee judged the inflation risks were further to the upside compared to its July MPR. Energy prices had risen again and borrowing costs were materially higher than before the US/Iran conflict. Despite expecting inflation would rise further in the near-term, most members believed that a soft labour market, spare capacity and restrictive monetary conditions would reduce inflation over time. Moreover, the data showed there was still little evidence of material second-

round effects, although the MPC emphasised that the risk of these effects would increase the longer elevated and volatile energy prices persisted.

UK headline consumer price inflation (CPI) initially declined, suggesting the initial energy shock was not spreading into a wider range of goods and services. However, later in the period inflation picked up again, with CPI rising from 2.6% in June to 3.1% in August due largely to higher transport costs. Core CPI was 2.6% in July and August, suggesting the divergence between that and headline inflation was due to energy rather than a broad increase in underlying inflation.

UK economic activity was somewhat stronger than initially anticipated over the period. GDP expanded by 0.6% in the first quarter of the calendar year and 0.5% in the second quarter, slightly stronger than the initial estimate of 0.4%. Monthly activity was more volatile, with a contraction of -0.1% in April, followed by gains of 0%, 0.3% and 0.4% in May, June and July respectively.

Labour market data continued to show softening employment conditions. The unemployment rate fell to 4.9% in April and remained at that level to July, against expectations it would tick up. Job vacancies also continued to decline, to 702,000 in the three months to July. Earnings growth moderated, with regular earnings at 3.5% in the three months to July and total earnings at 3.9%, suggesting weaker labour demand was continuing to restrain domestic wage pressures.

Arlingclose, the CJC's treasury adviser, expects Bank Rate will stay at 3.75%. However, higher energy prices due to the ongoing conflict(s) and uncertainty around the government's upcoming Budget have increased the near-term upside risks. Moreover, stronger inflation projections, which accompanied the September MPC decision, shifted market expectations for Bank Rate higher. In addition, despite little evidence of second-round effects to date, the changing tone of the MPC minutes suggests it may not need something seismic to tip the Committee to increase Bank Rate.

Credit review: Arlingclose maintained its advised 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.

3. LOCAL CONTEXT

At 30 September 2026 the Joint Committee had investments of £73.6m mainly due to unspent Growth Scheme and Investment Zone grant money.

Treasury Management Summary

	31.3.26 Balance £m	Movement 6 Months £m	30.9.26 Balance £m
Short-term investments	34.1	14.4	48.5
Cash and cash equivalents	22.3	2.8	25.1
Total Investments	**56.4**	**17.2**	**73.6**

4. TREASURY INVESTMENT ACTIVITY

The revised CIPFA Treasury Management Code defines treasury management investments as those arising from the cash flow of the Joint Committee 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.

The Joint Committee has invested funds, which represent income received before expenditure along with balances and reserves. During the 6 months, the Joint Committee's investment balance ranged between £52.9 and £76.0 million. The position of investments during the period is shown in the table below.

Treasury Investment Position

	31.3.26 Balance £m	Movement 6 Months £m	30.9.26 Balance £m	30.9.26 Income %
Banks & building societies (unsecured)	2.3	-2.2	0.1	3.15
Local authorities	31.1	13.9	45.0	4.11
Money Market Funds	20.0	5.0	25.0	3.92
Debt Management Office	3.0	0.5	3.5	3.74
Total Investments	**56.1**	**17.2**	**73.6**	

The CIPFA Code and government guidance require the Joint Committee 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 Joint Committee 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.

Bank Rate remained at 3.75% during the period. The rates on DMADF deposits ranged between 3.70% and 3.76% and Money Market Funds Rates between 3.74% and 3.97%.

5. COMPLIANCE

The Head of Finance can confirm that treasury management activities undertaken during the period are in compliance with the CIPFA Code of Practice and the approved Joint Committee Treasury Management Strategy. Compliance with certain investment limits is shown in the table below.

Investment Limits

	Counterparty Maximum during period	**Counterparty 30.9.26 Actual**	**Counterparty 2026/27 Limit**	**Complied**
The UK Government	£19m	£3.5m	Unlimited	✓
Local authorities and other government entities	£5m	£5m	£5m	✓
Secured investments	£0m	£0m	£5m	✓
Banks (unsecured)	£2.5m	£0.1m	£3m	✓
Building societies (unsecured)	£0m	£0m	£3m	✓
Registered providers (unsecured)	£0m	£0m	£3m	✓
Money market funds	£5m	£5m	£8m	✓

6. INVESTMENT TRAINING

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

7. RECOMMENDATION

Accept the report for information.