Sussex Police & Crime Commissioner

**Decision Notice**

| | |
|---|---|
| To | Sussex Police and Crime Commissioner |
| From | Iain McCulloch<br>Chief Finance Officer |
| Reference | 06/2026 |
| Subject | Treasury Management Quarter 3 2025/26 Monitoring Report |
| Date | 23/03/2026 |
| Recommendation | To approve the Treasury Management Quarter 3 2025/26 – Monitoring report. |
| Is the decision of significant public interest | No |
| Summary of reasons for decision | The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that those charged with governance and scrutiny receive regular updates on treasury management activity. The report presents the performance up to and including 31 December 2025.<br><br>The Police and Crime Commissioner for Sussex – 2025/26 Treasury Management Strategy Statement can be found on the Police and Crime Commissioner's website SPCC - Treasury Management and Capital Strategy (sussex-pcc.gov.uk) |
| Consultation undertaken | The report was presented to the Joint Audit Committee on 17 March 2026 and recommended for approval by the PCC. |
| Approved by legal adviser (if appropriate) | N/A |
| Approved by finance (if appropriate) | Approved by Iain McCulloch, Chief Finance Officer. |
| Background papers | The report is published with this decision and also on the PCC website. |
| Communication and media | None |

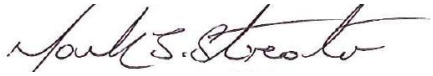
| | |
|---|---|
| Financial implications | **1 Performance Overview**<br><br>• £67.900m was deposited as of 31 December 2025.<br><br>• Actual interest yield for the 9 months, April to December 2025, was £2.958m.<br><br>• An average Investment Rate of Return of 4.395% was achieved for the 9 months to 31 December against the average SONIA* of 4.103% and the average Bank of England (BoE) rate of 4.137% for the same period.<br><br>** LIBOR has transitioned within the financial environment to SONIA. LIBOR gives the cost of borrowing for a range of different periods (1 month, 3 months etc). SONIA is a single rate that measures the cost of overnight borrowing. For the purpose of this report, we calculate an average over the relevant period.*<br><br>• Interest rates are reducing in line with the BoE Base Rate which has decreased three times during the 9 months to 31 December, from 4.50% to 4.25% on 8th May, unchanged at 4.25% on 19th June and another cut announced on 7th August, unchanged at 4.00% on 18th September and on 6th November, then a further cut to 3.75% on 18th December. The Base Rate was maintained at 3.75% on 5th February 2026.<br><br>• The market rates offered by counterparties have been reducing on the expectation of a cut to Bank of England base interest rates, which then did occur in May, in August and in December. In response to the reducing and subsequent stagnation of the interest rates during the 9 months to 31 December and, following discussions with our treasury advisors MUFG Corporate Markets Treasury Limited (previously known as Link Group Limited), we have been utilising short, fixed term investments when rates are more favourable rather than depositing in lower-yielding Money Market Funds.<br><br>• The last benchmark report was as of 31 December when the Weighted Average Rate of Return (WARoR) benchmark for other police bodies within our benchmarking group was 4.05% and the group was 4.10%. The PCC for Sussex was 4.28% at that |

| | |
|---|---|
| | date.<br><br>• The Prudential Indicators are within approved limits.<br><br>**2 Looking Forward**<br><br>2.1 The Bank of England kept its base rate unchanged at 3.75% at its February 2026 meeting; consistent with futures markets having already priced in the change prior to the decision. In May 2025, interest rates were lowered from 4.5% to 4.25%, in August from 4.25% to 4.00% and in December from 4.00% to 3.75%. The next decision will be announced on Thursday 19 March 2026.<br><br>2.2 There may be a smaller scope for continued rate cuts in the near-to-medium term. In the aftermath of the meeting in February 2026, market sentiment shifted with the next rate cut now fully priced in for the April meeting. However, markets remain reluctant to price in a second cut through the remainder of the year. A more detailed interest rate forecast and economic outlook for the years ahead from MUFG Corporate Markets are set out in Appendix VI. This advice is used in assessing borrowing and investment decisions.<br><br>2.3 Interest rates for both deposits and borrowing are reflecting expectations of additional decreases as the markets anticipate further reductions to the base rate. As a result, this will lead to reduced interest earnings on deposits.<br><br>2.4 However, the effect on borrowing interest rates is often the opposite, with rates increasing in certain circumstances due to market factors such as increased government borrowing, which elevates gilt prices. The capital programme partially creates a borrowing requirement for the PCC over an extended cash flow period. Managing long-term cash may necessitate obtaining either long-term or short-term loans or utilising longer-term cash flow surpluses. The current recommendation from our treasury advisor is to delay long-term borrowing until interest rates fall. Generally, more advantageous rates are accessible for shorter-term borrowing, and short-dated fixed loans between Local Authorities will also be considered. Typically, temporary borrowing rates are anticipated to decrease in line with reductions in |

| | |
|---|---|
| | the Bank Rate. The borrowing strategies of the PCC will be continuously monitored.<br><br>**3 Risk Management Considerations**<br><br>3.1 Treasury Management activity during the year is carried out in accordance with the approved 2025/26 Treasury Management Strategy Statement which has the underlying aim of minimising risk to ensure the PCC principal sums are safeguarded. Maximising income is considered secondary to this main aim. |
| Identified risks | None |
| Equality Assessment | NA |

Signed _____ Date: 23.03.2026

Police & Crime Commissioner for Sussex



Signed _____ Date: 23.03.2026

Chief Executive & Monitoring Officer

Signed _____ Date: 23.03.2026

Chief Finance Officer