Report to Audit Committee

Treasury Management Quarter One Report 2025/26

Portfolio Holder: Cllr Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Finance, Corporate Services and Sustainability

Officer Contact: Lee Walsh – (Director of Finance & Section 151 Officer)

Report Author: Paula Buckley, Finance Manager (Capital & Treasury)/James Postle (Senior Finance Manager)

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Reason for Decision

In April 2023 the Authority 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 Authority to approve, as a minimum, treasury management semi-annual and annual outturn reports.

This quarterly report advises the Audit Committee of the performance of the Treasury Management function of the Council for the first quarter of 2025/26 and provides a comparison of performance against the 2025/26 Treasury Management Strategy and the Treasury Management Prudential Indicators.

Executive Summary

The Council is required to consider the performance of the Treasury Management function in order to comply with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2021). This quarterly report provides an additional update and includes the new requirement in the 2021 Code, mandatory from 1 April 2023, of quarterly reporting of the treasury management prudential indicators. This report therefore sets out the key Treasury Management issues for Members' information and review and outlines:

- An economic update for the first quarter of 2024/25 (External Context)
- Net Borrowing and Investments (Local Context)
- A review and updates of the Council's current treasury management position;
- Council Borrowing;
- Treasury Investment Activity;
- Treasury Performance for the Quarter;

- Treasury Performance for the Quarter;
- Compliance
- Treasury Management Prudential Indicators;

The report is presented to the Audit Committee to enable it to have the opportunity to review and scrutinise the Quarter One Treasury Management report.

Recommendation

That the Audit Committee, considers and comments upon the Treasury Management Quarter One report and the Treasury Management activity and projected outturn.

Treasury Management Quarter One Report 2024/25 22 October 2025

1 Background

1.1 The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operation is to ensure this cash flow is adequately planned, with surplus monies being invested with low-risk counterparties, providing adequate liquidity initially before considering optimising investment returns.

1.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure the Council can meet its capital spending obligations. 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 Council risk or cost objectives.

1.3 As a consequence, treasury management is defined as:
"The management of the local authority's 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 Current Position

2.1 Requirements of the Treasury Management Code of Practice

2.1.1 The Council has adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (Revised 2021) (the CIPFA Code) which requires the Authority to produce a quarterly treasury management update report; a requirement in the 2021 Code which is mandatory from 1 April 2023.

2.1.2 This report provides an additional update to that previously received by Members to reflect the` new requirement in the 2021 Code of quarterly reporting on treasury management prudential indicators. The treasury and prudential indicators are also incorporated at Appendix 1 to this report.

2.1.3 The Council's treasury management strategy for 2025/26 was approved at a meeting on 6 March 2025. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the potential loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Authority's Treasury Management Strategy.

2.1.4 This Quarter One report has been prepared in compliance with CIPFA's Code of Practice, and covers the following:

- An economic update for the first quarter of 2025/26 (External Context)
- Net Borrowing and Investments (Local Context)
- A review and updates of the Council's current treasury management position;
- Council Borrowing;
- Treasury Investment Activity;
- Treasury Performance for the Quarter;
- Compliance
- Treasury Management Prudential Indicators;

2.2 **External Environment Quarter One 2025/26**

Economic background

2.2.1 The quarter started to significant financial market volatility as US President Donald Trump announced a wide range of ‘reciprocal’ trade tariffs in early April, causing equity markets to decline sharply which was subsequently followed by bond markets as investors were increasingly concerned about US fiscal policy. As the UK was included in these increased tariffs, equity and bond markets here were similarly affected by the uncertainty and investor concerns

2.2.2 President Trump subsequently implemented a 90-day pause on most of the tariffs previously announced, which has been generally positive for both equity and bond markets since, but heighted uncertainty and volatility remained a feature over the period.

2.2.3 UK headline consumer price inflation (CPI) increased over the quarter, rising from an annual rate of 2.6% in March to 3.4% in May, well above the Bank of England’s 2% target. The core measure of inflation also increased, from 3.4% to 3.5% over the same period. May’s inflation figures were generally lower than in the previous month, however, when CPI was 3.5% and core CPI 3.8%. Services inflation was 4.7% in May, a decline from 5.4% in the previous month.

2.2.4 Data released during the period showed the UK economy expanded by 0.7% in the first quarter of the calendar year, following three previous quarters of weaker growth. However, monthly Gross Domestic Product (GDP) data showed a contraction of 0.3% in April, suggesting growth in the second quarter of the calendar year is unlikely to be as strong as the first.

2.2.5 Labour market data appeared to show a softening in employment conditions as weaker earnings growth was reported for the period February to April 2025, in what would no doubt be welcome news to Bank of England (BoE) policymakers. Regular earnings growth (excluding bonuses) was 5.2% for the 3 months year on year while total earnings growth was 5.3%. Both the employment and unemployment rates increased, while the economic inactivity rate and the number of vacancies fell.

2.2.6 The May Monetary Policy Report (MPR) highlighted the BoE’s view that disinflation in domestic inflation and wage pressures were generally continuing and that a small margin of excess supply had opened in the UK economy, which would help inflation to fall to the Bank’s 2% over the medium term. While near-term GDP growth was predicted to be higher than previously forecast in the second calendar quarter 2025, growth in the same period the following year was trimmed back, partly due to ongoing global trade developments.

2.2.7 Having started the financial year at 4.5%, the Bank of England’s Monetary Policy Committee (MPC) cut Bank Rate to 4.25% in May. The 5-4 vote was split with the majority wanting a 0.25% cut, two members voting to hold rates at 4.5% and two voting for a 0.50% reduction. At the June MPC meeting, the committee voted by a majority of 6-3 to keep rates on hold. The three dissenters wanted an immediate reduction to 4%. This dovish tilt by the Committee is expected to continue.

2.2.8 Arlingclose, the authority’s treasury adviser, maintained its central view that Bank Rate would continue to fall, and that the BoE would focus more on weak GDP growth rather than stickier and above-target inflation. Two more cuts to Bank Rate are expected during 2025, taking the main policy rate to 3.75%, however the balance of risks is deemed to be to the downside as weak consumer sentiment and business confidence and investment impact economic growth.

2.2.9 Despite the uncertainty around US trade policy and repeated calls for action from the US President, the US Federal Reserve held interest rates steady the period, maintaining the Fed Funds Rate at 4.25%-4.50%. The decision in June was the fourth consecutive month where no changes were made to the main interest rate and came despite forecasts from Fed policymakers that compared to a few months ago they now expected lower growth, higher unemployment and higher inflation.

2.2.10 The European Central Bank (ECB) cut rates in June, reducing its main refinancing rate from 2.25% to 2.0%, and representing the eighth cut in just over a year. ECB noted heightened uncertainty in the near-term from trade and that stronger economic growth in the first quarter of the calendar may weaken. Inflation in the region rose to 2.0% in June, up from an eight-month low of 1.9% in the previous month but in line with the ECB's target. Inflation is expected to stay broadly around the 2% target over the next year or so.

Financial markets

2.2.11 After the sharp declines seen early in the quarter, sentiment in financial markets showed signs of improvement during the period, but bond and equity markets remained volatile. Early in the period bond yields fell, but then uncertainty from the impact of US trade policy caused bonds to sell-off, but from the middle of May onwards, yields have steadily declined, but volatility continues. Equity markets sold off sharply in April but have since gained back most of the previous declines, with investors seemingly remaining bullish in the face of ongoing uncertainty.

2.2.12 Over the quarter, the 10-year UK benchmark gilt yield started at 4.65% and ended at 4.49% having hit 4.82% early in April and falling to 4.45% by the end of the same month. While the 20-year gilt started at 5.18%, fell to 5.02% a few days later before jumping to 5.31% within a week, and then ending the period at 5.16%. The Sterling Overnight Rate (SONIA) averaged 4.31% over the quarter to 30th June.

Credit review

2.2.13 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.

2.2.14 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 Authority's counterparty list recommended by Arlingclose remain under constant review.

2.3 The Oldham Council Treasury Position

2.3.1 On 31 March 2025, the Authority had net borrowing of £187.231m arising from its revenue and capital income and expenditure. This had fallen to £160,630m by the end of Quarter One.

2.3.2 The actual and planned level of capital expenditure are the drivers of borrowing for capital purposes. **Appendix 1** shows the actual level of capital expenditure at the end of 2024/25 and includes the Quarter One forecast for 2025/26, 2026/27 and 2027/28. It also shows the financing including the level of prudential borrowing.

2.3.3 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1 - Balance Sheet Summary

	31/3/25 Actual £000	31/3/2026 Forecast £000
General Fund CFR	559,839	580,398
Total CFR	**559,839**	**580,398**
Less: *Other debt liabilities PFI/Leases	223,812	217,038
Borrowing CFR	**336,027**	**363,630**
External borrowing	234,817	238,424
Internal borrowing	101,209	124,936
Less: Usable reserves	(124,555)	(110,237)
Less: Working capital	(24,230)	(59,470)
Net Investments	**(47,586)**	**(44,771)**

2.3.4 Table 1 shows the forecast CFR for 2025/26 is £580.398m, an increase of £20.559m compared to £559.839m at the end of 2024/25. The CFR excluding other debt liabilities relating to Private Finance Initiative schemes and leases (Borrowing CFR) is forecast at £363.630m an increase of £27.333m compared to the position at the end of 2024/25.

2.3.5 The table clearly highlights that the Council borrowing is well below the CFR and the Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (CFR) has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. The Council will continue to analyse and assess the market to determine the optimum time to externally borrow.

2.3.6 The treasury management position as at 30 June 2025 and the change over the quarter is shown in Table 2 below.

Table 2 - Treasury Management Summary

Borrowing/Investment	31.3.25 Balance £'000	Movement £'000	30.06.25 Balance £'000	31.06.25 Average Rate %
Long-term borrowing				
- PWLB	84,059	-	84,059	3.82%
- LOBOs	85,500	(4,416)	81,084	4.04%
- Other	40,001	-	40,001	4.00%
Short-term borrowing	25,257	-	25,257	5.23%
Total borrowing	**234,817**	**(4,416)**	**230,401**	
Long-term investments	13,611	-	13,611	5.16%
Short-term investments	-	-	-	-
Cash and cash equivalents	33.975	22,185	56,160	4.37%
Total investments	**47,586**	**22,185**	**69,771**	
Net borrowing	**187,231**	**(26,601)**	**160,630**	

As can be seen in the table above, borrowing has remained similar in the first three months of the year. However, borrowing will increase during the year in line with planned capital expenditure. Overall, the level of investments was £22.185m higher than at the end of 2024/25, principally due to capital grant funding being received in advance of it being spent and council incomes are generally greatest at the start of a financial year.

2.4 **Borrowing**

2.4.1 As outlined in the treasury strategy, the Authority's chief objective when borrowing has been to strike an appropriately risk balance between securing lower interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective. The Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

2.4.2 After substantial rises in interest rates since 2021 many central banks have now begun to reduce their policy rates. Gilt yields have been volatile, but have reduced slightly except in the longer term in response to expectations of lower future interest rates. There has been a slight increase in gilt yields for period of around 30 years and longer, which is due primarily to an increased uncertainty premium being priced into the longer period.

2.4.3 The PWLB certainty rate for 10-year maturity loans was 5.38% at the beginning of the period and 5.27% at the end. The lowest available 10-year maturity rate was 5.17% and the highest was 5.56%. Rates for 20-year maturity loans ranged from 5.71% to 6.16% during the period, and 50-year maturity loans from 5.46% to 5.97%.

2.4.4 The cost of short-term borrowing from other local authorities has been similar to Base Rate during the period at 4.0% to 4.75%.

2.4.5 CIPFA's 2021 Prudential Code is clear that Local Authorities must not borrow to invest primarily for financial return and that it is not prudent for Local Authorities to make any investment or spending decision that will increase the capital financing requirement and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority.

2.4.6 Public Works Loan Board (PWLB) loans are no longer available to Local Authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes.

2.4.7 Oldham Council has not invested in assets primarily for financial return or that are not primarily related to the functions of the Council, and it has no plans to do so in future.

Loans Portfolio

2.4.8 As at 30 June 2025 Oldham Council held £230.402m of long term loans. There has been no new borrowing undertaken in the first three months of the year and one LOBO loan was called in the period so the position is £4.416m lower than the position at 31 March 2025, as part of its strategy for funding previous years' capital programmes. Outstanding loans on 30 June (borrowing position) are summarised in Table 3 below.

Table 3 - Borrowing Position

Borrowing Sources	31.3.25 Balance £'000	Movement £'000	30.6.25 Balance £'000	30.6.25 Weighted Average Rate %	30.6.25 Weighted Average Maturity (years)
Public Works Loan Board	84,059	-	84,059	3.82%	10.52
Banks (LOBO)	85,500	(4,416)	81,084	4.04%	42.43
Banks (fixed-term)	40,000	-	40,000	4.00%	44.02
Local Authorities (short term)	25,000	-	25,000	5.23%	0.00
Local Bonds (long-term)	1	-	1	1.00%	0
Local Bonds (short-term)	22	-	22	0.00%	0
Local Charitable Trusts (short-term)	235	-	235	4.90%	1
Total borrowing	**234,817**	**(4,416)**	**230,401**	**0**	

The Authority's short-term borrowing cost have reduced over the course of quarter one. The average rate on the Authority's short-term loans as at 30th June 2025 on £25m is 4.64%, this compares with 5.28% on £25m loans at 31st March 2025.

LOBO Loans

2.4.9 Oldham Council currently holds £81.084m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate and terms or to repay the loan at no additional cost. This a reduction of £4.416m from the position as at 31 March 2025 due to one of the lenders, FMS Wertmanagement, exercising its option to revise the rate payable on the loan in April. The revised interest rate offered was 7.67% and the Council excerised its option to repay the loan in full, utilising available cash balances.

2.4.10 With market interest rates having risen, the probability of LOBOs being called has been higher than in the recent past. A total of £20.000m of other LOBO loans, all held with Dexia Finance had annual/semi-annual call option dates during the April-June quarter, however none of the options were exercised.

2.4.11 Currently Oldham Council has £34m LOBO loans with call dates during the remaining nine months of this financial year. Of this sum, £14m is held with Dexia Finance, £10m is held with KBC Bank NV and the remaining £10m evenly split between two other providers, Danske Bank and Just Retirement. At the time of writing no call options have been exercised.

2.4.12 There may be opportunities to repay the Council's historical LOBO borrowing. The Council will investigate all opportunities including consultation with the council's treasury manager advisors Arlingclose and will ensure any repayments create revenue savings. If required, the Authority will repay the LOBO loans with available cash or by borrowing from other local authorities or the PWLB.

2.4.13 Council officers will liaise with treasury management advisors, Arlingclose, over the likelihood of the options being exercised for LOBO's within the loan portfolio. If any option is exercised the Authority plans to repay the loan at no additional cost. If required, the Authority will repay the LOBO loans with available cash or by borrowing from alternative sources or the PWLB, always providing that overall savings can be demonstrated.

2.5 Treasury Investment Activity

2.5.1 CIPFA published a revised the Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20 December 2021. These define treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

2.5.2 At 30 June, the Council held £69.711m invested funds, representing income received in advance of expenditure plus balances and reserves held. During the first quarter of 2025/26 the Authority's Money Market Fund Investment balances ranged between £28.220m and £68.341m due to timing differences between income and expenditure. The investment position is shown in Table 4 below.

Table 4 - Treasury Investment Position

	31.3.25 Balance £'000	Movement £'000	30.06.25 Balance £'000	31.06.25 Income Return %	30.6.25 Weighted Average Maturity days
Money Market Funds	33,975	22,185	56,160	4.37%	
- *Property funds*	13,611	21	13,632	5.63%	90
Total investments	**47,586**	**22,206**	**69,711**		

2.5.3 Both the CIPFA Code and Government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

2.5.4 As demonstrated by the liability benchmark in this report, the Authority expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different sectors and boost investment income.

2.5.5 The Council in previous years has invested £15.000m in the Churches, Charities & Local Authorities (CCLA) pooled property fund. As this is a longer-term investment short term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. This fund generated an average total return in 2024/25 of £0.518m, 5.16% income return. The value is estimated at £13.632 as at 30 June 2025.

Statutory Override

2.5.6 Further to consultations in April 2023 and December 2024 MHCLG wrote to finance directors in England in February 2025 regarding the statutory override on accounting for gains and losses in pooled investment funds. On the assumption that when published regulations follow this policy announcement, the statutory override will be extended up until the 1 April 2029 for investments already in place before 1st April 2024. The override will not apply to any new investments taken out on or after 1st April 2024.

2.5.7 The Authority had set up a provision of £2.000m to mitigate the impact of the statutory override not being extended. In view of the fact that the override may not be extended past 2029 the authority has decided to maintain this provision.

2.6 **Treasury Performance**

2.6.1 The Treasury Team measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates, as shown in Table 5 below.

Table 5 – Treasury Performance

	Budgeted Performance Rates/Benchmark SONIA Return %	Benchmark SONIA Return % Plus 5%	30.06.25 Income Return % (Actual)
Budgeted Investment Rates	4.50%		4.62%
Overnight SONIA	4.31%	4.53%	4.37%

2.6.2 The budgeted investment rate of 4.5% above included within the annual strategy for 2025/26 was based on the average rate over the full financial year as expectations were for a number of interest rate rises to take place during 25/26. The actual rate achieved in the first quarter exceeds this budgeted rate. The total budget for treasury management income for 2025/26 is £1m, to date General Fund income of £0.5m has been achieved.

2.6.3 Previously the benchmark return was measured on the London Interbank Bid Rate (LIBID) which was a forward-looking interest rate. The Bank of England replaced LIBID with SONIA in December 2021. SONIA is calculated differently to LIBID in that it is a backward looking rate, based on actual results. The benchmark of SONIA plus 5% has not been achieved, however the actual rate achieved for overnight investments is higher than the average SONIA rate over the period.

Compliance

2.6.4 The Director of Finance reports that all treasury management activities undertaken during the quarter complied fully with the principles in the Treasury Management Code and the Council's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in Table 6 below.

Table 6 - Investment Limits

Investment Limit	Maximum during Q1 2025/26	30.6.25 Actual	Maximum allowable in 2025/26	Compliance Yes/No
Any single organisation, except the UK Government	-	-	30,000	Yes
Any group of organisations under the same ownership	-	-	20,000	Yes
Any group of pooled funds under the same management	13,632	13,632	15,000	Yes
Unsecured investments with building societies	-	-	20,000	Yes
Money Market Funds	68,341	56,160	80,000	Yes
Strategic pooled funds	13,632	13,632	15,000	Yes

2.6.6 Compliance with the Operational Boundary and Authorised Limit for external debt is demonstrated in Table 7 below.

Table 7 – Debt and the Authorised Limit and Operational Boundary

	Maximum debt Q1	Debt at 30/6/2025	2025/26 Authorised Limit	2025/26 Operational Boundary	Complied? Yes/No
	2025/26				
Borrowing	240,855	230,405	356,000	356,000	Yes
PFI and Finance Leases	223,812	223,812	230,250	235,250	Yes
Total debt	**464,667**	**454,217**	**586,250**	**591,250**	

2.6.7 The Operational Boundary represents the expected maximum borrowing position for the Council for the year and was set and then revised at £591.250m

2.6.8 The Authorised Limit is the "affordable borrowing limit" required by Section 3 of the Local Government Act 2003 and for 2025/26 was set and then revised at £533.500m Once this has been set, the Council does not have the power to borrow above this level although it can be revised if required.

2.6.9 Since the Operational Boundary is a management tool for in-year monitoring it is not significant if the Operational Boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure. No breaches have occurred, and it is not anticipated that there will be any breaches in 2025/26.

2.7 Treasury Management Prudential Indicators

2.7.1 As required by the 2021 CIPFA Treasury Management Code, the Authority monitors and measures the following treasury management prudential indicators.

Liability Benchmark

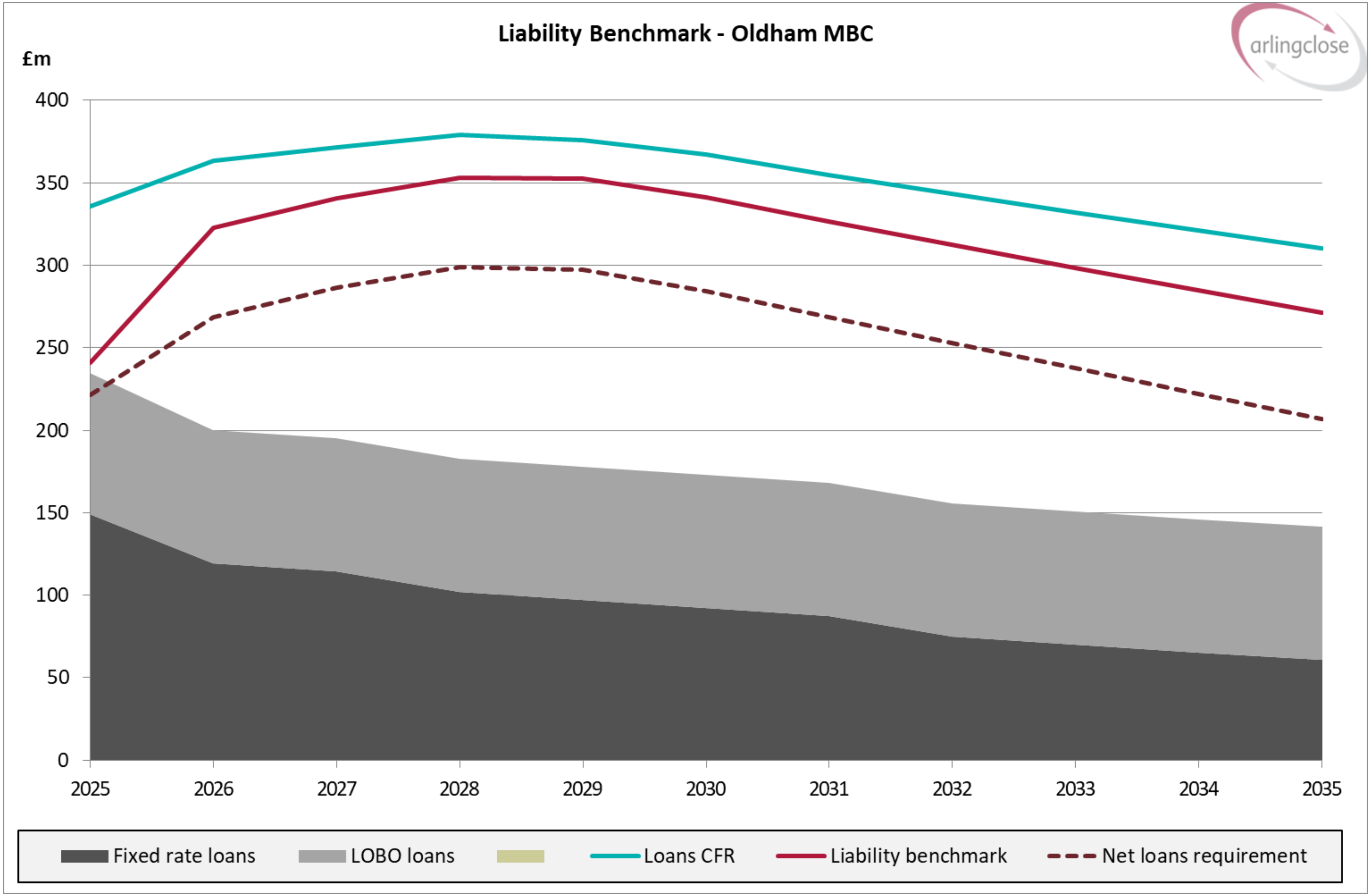
2.7.2 This indicator compares the Authority's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. It represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level of £20.000m, the level required to manage day-to-day cash flow.

Table 8 - Liability Benchmark

Liability Benchmark Measurement	31 March 2025 Actual £'000	31 March 2026 Forecast £'000	31 March 2027 Forecast £'000	31 March 2028 Forecast £'000
Loans CFR	336,027	363,360	371,421	378,985
Less: Balance sheet resources	148,795	124,936	129,936	134,936
Net loans requirement	**187,232**	**238,424**	**241,485**	244,049
Plus: Liquidity allowance	20,000	20,000	20,000	20,000
Liability benchmark	**207,232**	**258,424**	**261,485**	**264,049**
Existing /forecast borrowing	**234,817**	**238,424**	**241,485**	**244,049**

2.7.3 As demonstrated by the liability benchmark in the table above, the Council expects to be a long-term borrower to finance the expected capital spend. There could be timing differences between when the Council externally borrows compared to when the expenditure is required due to the nature of capital works, but new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different sectors and boost investment income.

2.7.4 Following on from the medium-term forecast above, the long-term liability benchmark assumes capital expenditure funded by borrowing of £35.199 in 2025/26.



Liability Benchmark - Oldham MBC
£m
arlingclose
400
350
300
250
200
150
100
50
0
2025
2026
2027
2028
2029
2030
2031
2032
2033
2034
2035
Fixed rate loans
LOBO loans
Loans CFR
Liability benchmark
Net loans requirement

2.7.5 Table 9 below sets out the maturity structure of borrowing at the end of the first quarter of 2025/26 compared to the upper and lower limits set in the Treasury Management Strategy for 2025/26.

Table 9 - Maturity Structure of Borrowing

Borrowing Timeframe	Upper Limit	Lower Limit	30.6.2025	Complied?
Under 12 months	35%	0%	27.87%	Yes
12 months and within 24 months	35%	0%	8.65%	Yes
24 months and within 5 years	35%	0%	23.33%	Yes
5 years and within 10 years	35%	0%	13.74%	Yes
10 years to 20 years	60%	0%	2.47%	Yes
20 years to 30 years	60%	0%	2.18%	Yes
30 years to 40 years	60%	0%	2.18%	Yes
40 years to 50 years	60%	0%	10.88%	Yes
50 years to 60 years	60%	0%	8.71%	Yes

2.7.6 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment. In the case of LOBO loans, the next option date has been used as the measure to determine if it is potentially repayable.

Long-term Treasury Management Investments

2.7.7 The purpose of the Long-Term Treasury Management indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management limits are set out in the table below.

Table 10- Limit / Actual Investments exceeding one year

Limit/Actual Investments Exceeding One Year	2025/26	2026/27	2027/28	No fixed date
Limit on principal invested beyond year end	£50m	£50m	£50m	£50m
Actual principal invested beyond year end	£15m	0	0	0
Complied?	Yes	N/A	N/A	N/A

2.7.8 Long-term investments with no fixed maturity date include strategic pooled funds. For the Council, this is currently the CCLA Property Fund. Long term investments exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term investments.

3 Options/Alternatives

3.1 In order that the Council complies with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management the Audit Committee has no option other than to consider and approve the contents of the report. Therefore, no options/alternatives have been presented.

4 Preferred Option

4.1 The preferred option is that the contents of the report are agreed and recommended to Cabinet for approval.

5 Consultation

5.1 There has been consultation with the Council's, Treasury Management Advisors, Arlingclose in the production of this report.

5.2 The presentation of the Treasury Management Quarter One Report to the Audit Committee for detailed scrutiny on 22 October 2025 will be in compliance with the requirements of the CIPFA Code of Practice. The report will then be presented to Cabinet and then subsequently Council for approval.

6 Financial Implications

6.1 All included within the report.

7 Legal Services Comments

7.1 None.

8 Co-operative Agenda

8.1 The Council ensures that any Treasury Management decisions comply as far as possible with the ethos of the Co-operative Council.

9 Human Resources Comments

9.1 None.

10 Risk Assessments

10.1 There are considerable risks to the security of the Authority's resources if appropriate treasury management strategies and policies are not adopted and followed. The Council has established good practice in relation to treasury management which has previously been acknowledged in both Internal and the External Auditors' reports presented to the Audit Committee.

11 IT Implications

11.1 None.

12 Property Implications

12.1 None.

13 Procurement Implications

13.1 None.

14 Environmental and Health & Safety Implications

14.1 None.

15 Equality, community cohesion and crime implications

15.1 None.

16 Equality Impact Assessment Completed?

16.1 No.

17 Key Decision

17.1 No

18 Key Decision Reference

18.1 N/A

19 Background Papers

19.1 The following is a list of the background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents, which would disclose exempt or confidential information as defined by that Act.

File Ref: Background papers are contained with Appendix 1
Officer Name: James Postle/Paula Buckley

20 Appendix 1 - Prudential and Treasury Indicators

Appendix 1 - Prudential and Treasury Indicators

The Council measures and manages its capital expenditure, borrowing with reference to the following indicators. The Council has not taken out any Commercial or Service Investments.

The following tables shows a summary of the prudential indicators for Quarter 1 2025/26

Capital Expenditure

Capital Expenditure/Financing	2024/25 Actual £'000	2025/26 Forecast £'000	2026/27 Budget £'000	2027/28 Budget £'000
Expenditure				
General Fund services	81,790	116,726	36,165	34,366
HRA	1	1,403	7,195	2,220
Total Capital Expenditure	**81,791**	**118,129**	**43,360**	**36,586**
Financing				
Grants & Contributions	(29,875)	(75,931)	(21,254)	(16,024)
Prudential Borrowing	(46.961)	(35,199)	(17,347)	(18,260)
Revenue	(28)	(1,437)	(2,195)	(210)
Capital Receipts	(4,927)	(5,562)	(2,563)	(2,092)
Total Financing	**(81,791)**	**(118,129)**	**(43,360)**	**(36,586)**

Capital Financing Requirement (CFR)

Capital Financing Requirement	31 March 2025 Actual £'000	31 March 2026 Forecast £'000	31 March 2027 Budget £'000	31 March 2028 8Budget £'000
General Fund Services	559,839	580,398	581,431	581,509
Total CFR	**599,839**	**580,398**	**581,431**	**581,509**

Gross Borrowing and the Capital Financing Requirement

Statutory guidance is that debt should remain below the capital financing requirement except in the short term. The Authority has complied with and expects to comply with this requirement in the medium term as it is shown below

Gross Borrowing /CFR	31 March 2025 Actual £'000	31 March 2026 Forecast £'000	31 March 2027 Budget £'000	31 March 2028 Budget £'000	Debt at 30 June 2025 £'000
Gross Borrowing (incl. PFI & leases)	458,630	475,462	471,495	465,573	464,667
Capital Financing Requirement	599,839	580,398	581,431	581,509	-

Debt and the Authorised Limit and Operational Boundary

The authority is legally obliged to set an affordable borrowing limit (also termed the Authorised Limit for external debt) each year. In line with statutory guidance, a lower 'operational boundary' is also set as a warning level should debt approach this limit

	Maximum debt Q1 2025/26	Debt at 30/6/2025	2025/26 Authorised Limit	2025/26 Operational Boundary	Complied? Yes/No
Borrowing	240,855	230,405	356,000	356,000	Yes
PFI and Finance Leases	223,812	223,812	230,250	235,250	Yes
Total debt	**464,667**	**454,217**	**586,250**	**591,250**	

Since the operational boundary is a management tool for in-year monitoring it is not significant if the boundary is breached on occasions due to variations in cashflow, and this is not counted as a compliance failure. Total Debt has not exceeded either Authorised or Operational Boundary limits in the period April to June 2025.

Proportion of Financing Costs to Net Revenue Stream

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP/loans fund repayments are charged to revenue.

The net annual charge is known as financing costs; this is compared to the net revenue stream (ie the amount funded from Council Tax, business rates and general government grants).

Financing Cost/Net Revenue Stream	2024/25 Actual £'000	2025/26 Forecast £'000	2026/27 Budget £'000	2027/28 Budget £'000
Financing costs (£m)	26.252	17,879	19,932	22,069
Proportion of net revenue stream	7.61%	5.54%	5.66%	5.88%

Treasury Management Indicators

These indicators (Liability Benchmark, Maturity Structure of Borrowing, Lont Term Treasury Management investments are included within the main body of the report.