

Report to Council

Treasury Management Half Year Review Report 2025/26

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

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10 December 2025

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 report includes the requirement in the 2021 Code for quarterly reporting of the treasury management prudential indicators.

The Authority's treasury management strategy for 2025/26 was approved at Budget Council on 6 March 2025. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the 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.

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 half 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 first half of the year;
- Compliance; and
- Treasury Management Prudential Indicators.

Recommendation

That the Council approves:

- a) the Treasury Management Half Year Review report, the Treasury Management activity and projected outturn for 2025/26

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 The Treasury Management Quarter One Update Report was presented to the Audit Committee for scrutiny on 22 October 2025.
- 2.1.3 This half year report provides an additional update to that previously received by Members to reflect the requirement of the 2021 Code of quarterly reporting on treasury management prudential indicators. It presents for approval the Treasury Management position, known as the half yearly review at the end of September 2025. The Treasury and Prudential indicators are also incorporated at Appendix 1 to this report.
- 2.1.4 The Council's Treasury Management Strategy for 2025/26 was approved at Budget Council 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.
- 2.1.5 This Half Year Review report has been prepared in compliance with CIPFA's Code of Practice, and covers the following:
- An economic update for the second quarter of 2025/26;
 - A review and updates of the Council's current treasury management position;
 - Net Borrowing and Investments
 - Council Borrowing;
 - Treasury Investment Activity;
 - Treasury Performance for the first half of the year;

- Compliance; and
- Treasury Management Prudential Indicators

2.2 External Environment Half Year Review 2025/26

Economic background

- 2.2.1 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.
- 2.2.2 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.
- 2.2.3 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 0.2% from 3.8% the previous month. Services inflation also fell from July to August, to 4.7% from 5.0%.
- 2.2.4 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 Quarter 2 2025 Gross Domestic Product (GDP) report, annual growth was revised upwards to 1.4% year on year. However, monthly figures showed zero growth in July, in line with expectations, indicating a sluggish start to Quarter 3.
- 2.2.5 Labour market data continued to soften throughout the half yearly period, with the unemployment rate rising and earnings growth easing, but probably not to an extent that would make the more hawkish Monetary Policy Committee (MPC) members comfortable with further rate cuts. In addition, the employment rate rose while the economic inactivity rate and number of vacancies fell.
- 2.2.6 The Bank of England's (BoE) 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 0.25% cut, with the minority wanting no change. In September, seven MPC members voted to hold rates while two preferred a 0.25% 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.
- 2.2.7 The August BoE Monetary Policy Report highlighted that after peaking in Quarter 3 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.
- 2.2.8 Arlingclose, the authority'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.

- 2.2.9 Against a backdrop of uncertain US trade policy and pressure from President Trump, the US Federal Reserve (Fed) held interest rates steady for most of the period, before cutting the Fed Funds Rate to 4.00%-4.25% in September. Fed policymakers also published their new economic projections at the same time. These pointed to a 0.50% lower Fed Funds Rate by the end of 2025 and 0.25% lower in 2026, alongside GDP growth of 1.6% in 2025, inflation of 3%, and an unemployment rate of 4.5%.
- 2.2.10 The European Central Bank (ECB) cut rates in June, reducing its main refinancing rate from 2.25% to 2.0%, before keeping it on hold through to the end of the period. New ECB projections predicted inflation averaging 2.1% in 2025, before falling below target in 2026, alongside improving GDP growth, for which the risks are deemed more balanced and the disinflationary process deemed over.

Financial markets

- 2.2.11 After the sharp declines seen early in the period, sentiment in financial markets improved, but risky assets have generally remained volatile. Early in the period bond yields fell, but ongoing uncertainty, particularly in the UK, has seen medium and longer yields rise with bond investors requiring an increasingly higher return against the perceived elevated risk of UK plc. Since the sell-off in April, equity markets have gained back the previous declines, with investors continuing to remain bullish in the face of ongoing uncertainty.
- 2.2.12 Over the period, the 10-year UK benchmark gilt yield started at 4.65% and ended at 4.70%. However, these six months saw significant volatility with the 10-year yield hitting a low of 4.45% and a high of 4.82%. It was a broadly similar picture for the 20-year gilt which started at 5.18% and ended at 5.39% with a low and high of 5.10% and 5.55% respectively. The Sterling Overnight Rate (SONIA) averaged 4.19% over the six months to 30 September.

Credit review

- 2.2.13 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.
- 2.2.14 Early in the period, Fitch upgraded NatWest Group and related entities to AA- from A+ and placed Clydesdale Bank's long-term A- rating on Rating Watch Positive. While Moody's downgraded the long-term rating on the United States sovereign to Aa1 in May.
- 2.2.15 Then in the second quarter, Fitch upgraded Clydesdale Bank and also HSBC, downgraded Lancashire County Council and Close Brothers while Moody's upgraded Transport for London.
- 2.2.16 After spiking in early April following the US trade tariff announcements, UK Credit Default Swap (CDS) prices have since generally trended downwards and ended the period at levels broadly in line with those in the first quarter of the calendar year and throughout most of 2024.
- 2.2.17 European banks' CDS prices has followed a fairly similar pattern to the UK, as have Singaporean and Australian lenders, while Canadian bank CDS prices remain modestly elevated compared to earlier in 2025 and in 2024.
- 2.2.18 Overall, at the end of the period CDS prices for all banks on Arlingclose's counterparty list

remained within limits deemed satisfactory for maintaining credit advice at current durations.

2.2.19 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 reduced to £160.630m at the end of Quarter One, and, as presented at Table 2, had increased from Quarter One to £167.627m at the half year.

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 forecast as at the end of September 2025 for 2025/26, 2026/27 and 2027/28. It also shows the financing sources, 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 and show the 2025/26 forecast as at 30 September compared to the closing position for 2024/25.

Table 1 – Balance Sheet Summary

| | 31 March 2025 Actual £'000 | 31 March 2026 Half Year Review Forecast £'000 |
|--------------------------------------|-------------------------------------|--|
| General Fund CFR | 559,839 | 579,225 |
| Total CFR | 559,839 | 579,225 |
| Less: Other debt liabilities (PFI) | 223,812 | 217,038 |
| Borrowing CFR | 336,027 | 362,186 |
| External borrowing | 234,817 | 257,250 |
| Internal borrowing | 101,209 | 104,936 |
| Less: Usable Balance Sheet Resources | (124,565) | (110,237) |
| Less: Working capital | (24,230) | (55,041) |
| Net Investments | (47,586) | (60,342) |

2.3.4 Table 1 shows the forecast CFR for 2025/26 is £579.225m, an increase of £19.386m compared to £559.839m at the end of 2024/25. The CFR excluding other debt liabilities relating to Private Finance Initiative schemes is forecast to be £362.186m, an increase of £26.159m compared to the position at the end of 2024/25.

2.3.5 External borrowing is forecast to increase by some £26m to £257m by the end of the financial year. This is well below the CFR meaning the Council is maintaining an under-borrowed position. This indicates 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. This strategy has been prudent in recent years as investment returns have been low and counterparty risk is still an issue that needs to be considered.

2.3.6 As the Council utilises its reserves to finance annual revenue expenditure, the capacity to do this will diminish and external borrowing will be required. The Council will continue to analyse

and assess the market with respect to interest rate forecasts and counterparty risk to determine the optimum time to externally borrow.

2.3.7 The treasury management position as at 30 September 2025 and the change over the year to date is shown in Table 2 below.

Table 2 - Treasury Management Summary

| Borrowing/Investment | 31 March 2025 Balance £'000 | Movement £'000 | 30 September 2025 Actual £'000 | 30 September 2025 Average Rate % |
|---------------------------|--------------------------------|-------------------|---|--|
| Long-term borrowing | | | | |
| - PWLB | 84,059 | (2,432) | 81,627 | 3.83% |
| - LOBOs | 85,500 | (4,416) | 81,084 | 3.96% |
| - Other | 40,001 | 0 | 40,001 | 4.03% |
| Short-term borrowing | 25,257 | 0 | 25,257 | 4.38% |
| Total borrowing | 234,817 | (6,849) | 227,968 | |
| Long-term investments | 13,611 | 31 | 13,642 | 5.13% |
| Short-term investments | - | - | - | |
| Cash and cash equivalents | 33,975 | 12,725 | 46,700 | 4.23% |
| Total investments | 47,586 | 12,756 | 60,342 | |
| Net borrowing | 187,231 | (19,605) | 167,627 | |

2.3.8 As can be seen in the table above, borrowing has reduced by circa £7m this was due to a repayment of a called Lender Option, Borrower Option (LOBO) Loan and principal payments against the Council's Public Works Loans Board (PWLB) debt, during the first half of 2025/26. The level of investment has increased £12.725m since the end of the 2024/25 (but a reduction on the Quarter One position of £10m). Overall net borrowing has reduced by £19.605m as a result of repayment of loans and capital grant funding being received in advance of spend. Borrowing will increase in the next quarter in line with planned capital expenditure during the latter part of the year.

2.4 Borrowing

2.4.1 The Authority's chief objective when borrowing has been to strike an appropriate 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 central banks have now begun to reduce their policy rates, albeit slowly. Gilt yields, however, have increased over the first half of the year amid concerns about inflation, the UK government's fiscal position and general economic uncertainty.
- 2.4.3 The PWLB certainty rate for 10-year maturity loans was 5.38% at the beginning of the period and 5.53% at the end. The lowest available 10-year maturity certainty rate was 5.17% and the highest was 5.62%. Rates for 20-year maturity loans ranged from 5.71% to 6.30% during the period, and 50-year maturity loans from 5.46% to 6.14%. The cost of short-term borrowing from other local authorities has been similar to Base Rate during the period at 4.0% to 4.5%.
- 2.4.4 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.
- 2.4.5 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.
- 2.4.6 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 the future.
- 2.4.7 There remains a strong argument for diversifying funding sources, particularly if rates can be achieved on alternatives which are below gilt yields + 0.80%. The Authority will evaluate and pursue these lower cost solutions and opportunities with its advisor, Arlingclose.
- 2.4.8 As at 30 September 2025, Oldham Council held £227.969m of loans. The Council has not undertaken any borrowing in the first half of the year.

Table 3 - Borrowing Position

| Borrowing Sources | 31 March 2025 Balance £'000 | Movement £'000 | 30 September 2025 Balance £'000 | 30 September 2025 Weighted Average Rate % | 30 September 2025 Weighted Average Maturity (years) |
|--------------------------------------|--------------------------------|-------------------|------------------------------------|---|---|
| Public Works Loan Board | 84,059 | (2,432) | 81,627 | 3.82% | 10.27 |
| Banks (LOBO) | 85,500 | (4,416) | 81,084 | 4.04% | 42.18 |
| Banks (fixed-term) | 40,000 | - | 40,000 | 4.00% | 43.77 |
| Local Bonds (long-term) | 1 | - | 1 | | - |
| Local Authorities (short term) | 25,000 | - | 25,000 | 5.23% | |
| Local Bonds (short-term) | 22 | - | 22 | 0.00% | - |
| Local Charitable Trusts (short-term) | 235 | (1) | 234 | 4.90% | |
| Total Borrowing | 234,817 | (6,848) | 227,969 | | |

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 six 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.

2.5 Treasury Investment Activity

- 2.5.1 The CIPFA Treasury Management Code (Dec 21), defines treasury management investments as investments that arise from the Authority'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 As at 30 September 2025, the Council held £46.700m of Money Market Funds, representing income received in advance of expenditure plus balances and reserves held. During the first half year, the Authority's investment balances ranged between £28.220m and £75.007m due to timing differences between income and expenditure. The investment position is shown in Table 4 below.

Table 4 - Treasury Investment Position

| Investment Placements | 31 March 2025 Balance £'000 | Movement £'000 | 30 September 2025 Balance £'000 | 30 September 2025 Income Return % |
|--------------------------------------|-----------------------------|----------------|---------------------------------|-----------------------------------|
| Government (incl. Local Authorities) | - | - | - | |
| Money Market Funds | 33,975 | 12,725 | 46,700 | 4.37% |
| Property Pooled Fund | 13,611 | 31 | 13,642 | 5.13% |
| Total Investments | 47,586 | 12,756 | 60,342 | |

- 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.
- 2.5.6 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 is forecast to generate an average total return in 2025/26 of £0.700m, representing 5.13% income return. The current value estimated is £13.642m.

Statutory Override

- 2.5.7 Further to consultations in April 2023 and December 2024, the Ministry for Housing Communities and Local Government 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 1 April 2024. The override will not apply to any new investments taken out on or after 1 April 2024.
- 2.5.8 The Authority has 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 Team 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 September 2025 Income Return % (Actual) |
|---------------------------|---|----------------------------------|--|
| Budgeted Investment Rates | 4.50% | | 4.55% |
| Overnight SONIA | 4.19% | 4.40% | 4.37% |

2.6.2 The budgeted investment rate of 4.50% above included within the annual strategy for 2025/26 was based on the average rate over the full financial year as expectations were for interest rates to decrease during 25/26. The actual rate achieved in the first half of the year broadly in line with this budgeted rate. The total budget for treasury management income for 2025/26 is £1m. To date, General Fund income of circa £0.740m has been achieved.

2.7 Compliance

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

Table 6 - Investment Limits

| Investment Limit | Maximum during 2025/26 £'000 | Actual Position at 30 September 2025 £'000 | Maximum Allowable in 2025/26 £'000 | 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 | 13,642 | 13,642 | 15,000 | Yes |
| Unsecured investments with building societies | - | - | 20,000 | Yes |
| Money Market Funds | 75,007 | 46,700 | 80,000 | Yes |
| Strategic Pooled Funds | 13,642 | 13,642 | 15,000 | Yes |

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

Table 7 – Operational Boundary and Authorised Limit

| Borrowing /Limits | Actual Position at 30 September 2025 £'000 | 2025/26 Operational Boundary £'000 | 2025/26 Authorised Limit £'000 | Compliance Yes/No |
|--------------------------------------|---|---|---|--------------------------|
| Borrowing | 227,968 | 356,000 | 371,000 | Yes |
| PFI and Finance Leases | 223,812 | 230,250 | 235,250 | Yes |
| Total Gross Borrowing / Limit | 451,780 | 586,250 | 606,250 | Yes |

- 2.7.3 The Operational Boundary represents the maximum expected borrowing position for the Council for the year and is £586.250m.
- 2.7.4 The Authorised Limit is the “affordable borrowing limit” required by Section 3 of the Local Government Act 2003 and for 2025/26 is set at £606.250m. Once this has been set, the Council does not have the power to borrow above this level, although it can be revised if required.
- 2.7.5 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.

2.8 Treasury Management Prudential Indicators

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

Liability Benchmark

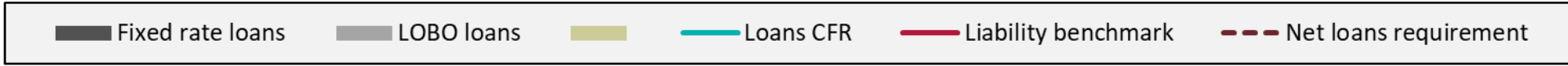
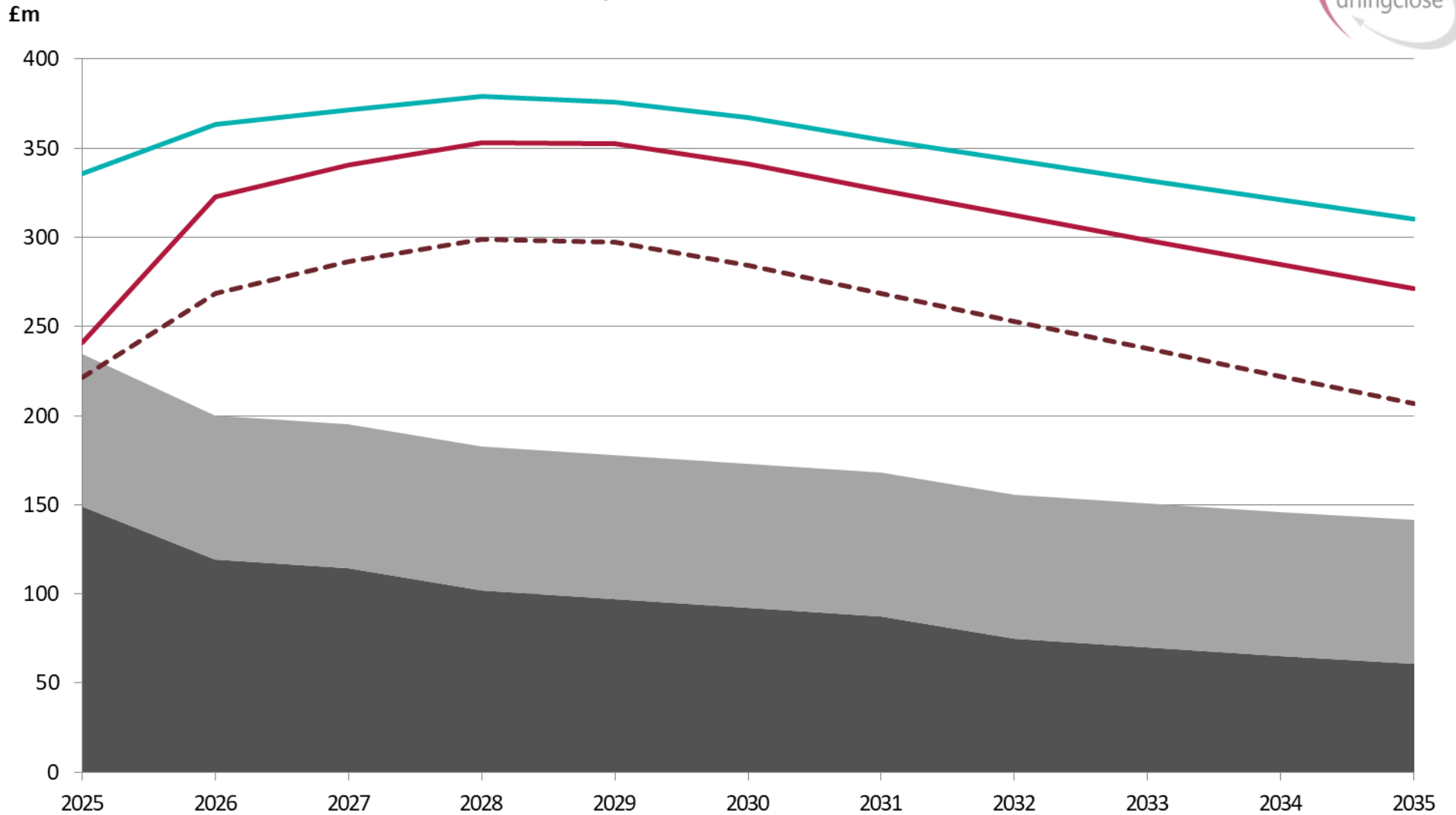
- 2.8.2 This indicator compares the Authority’s actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. It represents an estimate of the cumulative amount of external borrowing that 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 9 - 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 | 362,186 | 371,835 | 377,371 |
| Less: Balance sheet resources | 148,795 | 124,936 | 129,936 | 134,936 |
| Net loans requirement | 187,232 | 237,250 | 241,899 | 242,535 |
| Plus: Liquidity allowance | 20,000 | 20,000 | 20,000 | 20,000 |
| Liability benchmark | 207,232 | 257,250 | 261,899 | 262,435 |
| Existing /forecast borrowing | 234,817 | 237,250 | 241,899 | 242,435 |

2.8.3 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.

Liability Benchmark - Oldham MBC



2.8.4 Table 10 below sets out the maturity structure of borrowing at the end of the first six months of 2025/26 compared to the upper and lower limits set in the Treasury Management Strategy for 2025/26. The indicator is set to control the Authority's exposure to refinancing risk.

Table 10 –Maturity Structure of Borrowing

| Borrowing Timeframe | Upper Limit | Lower Limit | 30 September 2025 Actual | Compliance Yes/No |
|--------------------------------|-------------|-------------|--------------------------|-------------------|
| 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 | 50% | 0% | 2.47% | Yes |
| 20 years to 30 years | 50% | 0% | 2.18% | Yes |
| 30 years to 40 years | 50% | 0% | 2.18% | Yes |
| 40 years to 50 years | 50% | 0% | 10.88% | Yes |
| 50 years to 60 years | 50% | 0% | 8.71% | Yes |

2.8.5 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.

2.8.6 Long-term Treasury Management Investments

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 12- 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 | - | - | - |
| Compliance – Yes/No? | Yes | N/A | N/A | N/A |

2.8.7 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, Cabinet has no option other than to consider and approve the current Treasury Management position. Therefore, no options/alternatives can be presented in respect of the factual information contained in this report:
- 3.2 Option 1 – to approve the Treasury Management Half Year Review report, Treasury Management activity and projected outturn for 2025/26.

4 Preferred Option

- 4.1 The preferred option is Option 1 – to approve the Treasury Management Half Year Review report, Treasury Management activity and projected outturn for 2025/26.

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 Treasury Management Half Year Review Report was presented to the Audit Committee for detailed scrutiny on 26 November 2025 in compliance with the requirements of the CIPFA Code of Practice and was content to commend the report to Cabinet. At its meeting of 1 December Cabinet approved the report and commended it to Council.

6 Financial Implications

- 6.1 All included within the report.

7 Legal Services Comments

- 7.1 The proposals have been the subject of review by Finance officers and the Council's Treasury Management advisors in order to ensure compliance with the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and statutory guidance on the Minimum Revenue Provision. I am satisfied that the recommended proposals would not be in breach of those regulations or statutory guidance and the preferred option is supported.

(Alex Bougatef – Monitoring Officer)

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 Community cohesion disorder implications in accordance with Section 17 of the Crime and Disorder Act 1998

15.1 None.

16 Oldham Impact Assessment Completed (Including impact on Children and Young People)

16.1 No.

17 Key Decision

17.1 Yes

18 Key Decision Reference

18.1 FCR-13-25

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: Paula Buckley/James Postle
Contact No: 0161 770 4247

20 Appendices

Appendix 1 - Prudential and Treasury Indicators

Appendix 1 - Prudential and Treasury Indicators

The Authority measures and manages its capital expenditure borrowing with references to the following indicators.

The following tables shows a summary of the prudential indicators for half year 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 | 120,845 | 37,878 | 34,456 |
| HRA | 1 | 1,403 | 7,195 | 2,220 |
| Total Capital Expenditure | 81,791 | 122,248 | 45,073 | 36,676 |
| | | | | |
| Financing | | | | |
| Grants & Contributions | (29,875) | (81,174) | (21,345) | (16,144) |
| Prudential Borrowing | (46,961) | (34,026) | (16,970) | (18,260) |
| Revenue | (28) | (1,486) | (2,195) | (210) |
| Capital Receipts | (4,927) | (5,562) | (2,563) | (2,092) |
| Total Financing | (81,791) | (122,248) | (43,073) | (36,676) |

Capital Financing Requirement (CFR)

The Authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with [MRP / loans fund repayments] and capital receipts used to replace debt.

| Capital Financing Requirement | 31 March 2025 Actual £'000 | 31 March 2026 Forecast £'000 | 31 March 2027 Budget £'000 | 31 March 2028 Budget £'000 |
|-------------------------------|-------------------------------|---------------------------------|-------------------------------|-------------------------------|
| General Fund Services | 559,839 | 579,225 | 581,846 | 579,895 |
| Total CFR | 559,839 | 579,225 | 581,846 | 579,895 |

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 and expects to continue to comply with this requirement in the medium term as is shown below.

| Gross Borrowing /CFR | 31 March 2025 Actual | 31 March 2026 Forecast | 31 March 2027 Budget | 31 March 2028 Budget | Debt at 30 September 2025 |
|--------------------------------------|----------------------|------------------------|----------------------|----------------------|---------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Gross Borrowing (incl. PFI & leases) | 458,630 | 474,289 | 471,910 | 464,959 | 451,785 |
| Capital Financing Requirement | 559,839 | 579,225 | 581,846 | 579,895 | |

Debt and the Proposed Revised 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 [except in Scotland: and to keep it under review]. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.

| Debt | Debt at 30 September 2025 | 2025/26 Half Year Operational Boundary | 2025/26 Half Year Authorised Limit | Compliance? Yes/No |
|------------------------|---------------------------|--|------------------------------------|--------------------|
| | £'000 | £'000 | £'000 | |
| Borrowing | 227,968 | 356,000 | 371,000 | Yes |
| PFI and Finance Leases | 223,812 | 230,250 | 235,250 | Yes |
| Total Debt | 451,780 | 586,250 | 606,250 | |

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 cash flow, and this is not counted as a compliance failure.

Proportion of Financing Costs to Net Revenue Stream

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans is charged to revenue. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. 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 | 25,322 | 26,977 | 28,563 |
| Proportion of net revenue stream | 7.61% | 7.84% | 7.66% | 7.61% |

Impact of a 1% increase in interest rate on debt financing costs

This indicator demonstrates the additional revenue interest costs that would be charged if interest rates were 1% above the current assumptions.

| Financing Cost/Net Revenue Stream | 2025/26 Estimated £'000 | 2026/27 Estimated £'000 | 2027/28 Estimated £'000 |
|-----------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Additional Revenue costs (£000) | 103 | 498 | 649 |