

Report to Audit Committee

Treasury Management Quarter Three Report 2025/26

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

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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 report advises the Committee of the performance of the Treasury Management function for the third 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 three quarters 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 nine months;
- 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 Three Treasury Management Report.

Recommendation

That the Audit Committee considers and comments upon the Treasury Management Quarter Three report and the Treasury Management activity.

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 Half Year Update Report was presented to the Audit Committee for scrutiny 26 November 2025, Cabinet 1 December 2025 and subsequently approved at Council 10th December 2025.
- 2.1.3 This Quarter 3 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 review at the end of December 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 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.
- 2.1.5 This Quarter Three Review report has been prepared in compliance with CIPFA's Code of Practice, and covers the following:
- An economic update for third quarter of 2025/26;
 - A review and updates of the Council's current treasury management position;
 - Council Borrowing;
 - Treasury Investment Activity;
 - Treasury Performance for the first nine months;

- Compliance
- Treasury Management Prudential Indicators;

2.1.6 The report is presented to the Audit Committee to review and scrutinise the Quarter 3 Treasury Management Report.

2.2 External Environment Quarter Three Review 2025/26

Economic background:

- 2.2.1 Early in the first quarter was dominated by US trade tariffs and the negative impact on equity and bond markets. While this was reversed somewhat in the second quarter with equity markets making gains, it also saw a divergence in US and UK government bond yields. UK yields persisted at higher levels as investors demanded higher returns in the form of term premia due to the more uncertain UK fiscal and economic position.
- 2.2.2 The latter part of the period included the government's November autumn Budget. Despite much speculation and drip-feeding of potential policies in the weeks leading up to the event, what was ultimately announced was generally deemed more muted than had been anticipated, helping ease investors' fears of significantly higher government borrowing.
- 2.2.3 UK consumer price inflation (CPI) inflation was 3.2% in November 2025, down from 3.6% in the previous month and lower than the 3.5% expected, but still well above the Bank of England (BoE) target. Core CPI eased to 3.2% from 3.4%, against forecasts of it staying at 3.6%.
- 2.2.4 According to the Office for National Statistics (ONS), the UK economy expanded by 0.7% in the first quarter of the calendar year, by 0.3% in Q2 and by 0.1% in Q3. Of the subsequent monthly figures, the ONS estimated that Gross Domestic Product (GDP) fell by 0.1% in October.
- 2.2.5 The labour market continued to ease over the period as unemployment rose, vacancies fell and inactivity remained flat. In the three months to October 2025, the unemployment rate rose to 5.1%, higher than the level previously expected by the BoE, while the employment rate slipped to 74.9%.
- 2.2.6 The Bank of England's Monetary Policy Committee (MPC) voted 5-4 to cut the Bank Rate to 3.75% in December 2025, as was expected. Policymakers wanting a cut judged that disinflation was established while those preferring to hold the Bank Rate at 4% argued that inflation risks remained sufficiently material to leave it untouched at this stage.
- 2.2.7 The November BoE Monetary Policy Report projected that GDP would expand by a modest 0.2% in calendar Q4 2025. Estimates of inflation in the report were quickly out of date when CPI fell quicker than expected in November. Predictions of a modestly growing economy were echoed by the Office for Budget Responsibility in its Economic and Fiscal Outlook published with the Autumn Statement which revised down its estimate of annual GDP to around 1.5% between 2025 and 2030.
- 2.2.8 Arlingclose, the authority's treasury adviser, held a central view that Bank Rate would be cut further in 2025/26 with most BoE policymakers remaining more worried about weak GDP growth than higher inflation. In line with Arlingclose's central forecast, Bank Rate was reduced to 3.75% in December. Further cuts are expected in 2026, with the central forecast being that Bank Rate will be eased to around 3.25%.

- 2.2.9 The US Federal Reserve continued cutting rates, reducing Fed Funds Rate target range by 0.25% at its December meeting to 3.50%-3.75%. The meeting minutes noted that most policymakers judged that further rate cuts would be likely in 2026 if inflation continues to ease, however they were still divided in their assessment of the risks between inflation and unemployment.
- 2.2.10 The European Central Bank (ECB) held its key interest rates in December for a fourth consecutive meeting, maintaining the deposit rate at 2.0% and the main refinancing rate at 2.15%. The ECB maintained that future policy decisions will remain data-dependent, that inflation is close to its 2% target and that the euro area economy continues to expand despite a challenging global environment, including heightened geopolitical risks and trade tensions.

Financial markets:

- 2.2.11 After declining sharply early in the period, sentiment in financial markets has been mostly buoyant, but risky assets remained volatile. Bond yields initially declined early in the period, but increasing uncertainty around the UK's economic and fiscal outlook caused medium and longer yields to rise. Yields remained elevated until the third quarter when the potential negative impact of the UK Budget were deemed less than expected and yields eased modestly.
- 2.2.12 Equity markets gained the previous declines seen in the April sell-off and have continued to rise, even in the face of ongoing uncertainty around the existence of an AI-related 'bubble' and concentration in US and global stock markets.
- 2.2.13 Over the period, the 10-year UK benchmark gilt yield started at 4.65% and ended at 4.48%. However, these nine months saw significant volatility with the 10-year yield hitting a low of 4.39% and a high of 4.82%. It was a similar picture for the 20-year gilt which started at 5.18% and ended at 5.11% with a low and high of 5.05% and 5.55% respectively. The Sterling Overnight Rate (SONIA) averaged 4.10% over the nine months to 31st December.

Credit review:

- 2.2.14 Arlingclose maintained its recommended maximum unsecured duration limit on most of the banks on its counterparty list of 6 months. The other banks remain on 100 days.
- 2.2.15 Earlier 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. Fitch later upgraded Clydesdale Bank and HSBC, but downgraded Lancashire CC and Close Brothers.
- 2.2.16 In May, Moody's downgraded the United States sovereign long-term rating to Aa1 and affirmed OP Corporate's rating at Aa3. Moody's later upgraded Transport for London, Allied Irish Banks and Bank of Ireland and HSBC and downgraded Close Brothers.
- 2.2.17 S&P upgraded Clydesdale Bank, Allied Irish Banks and Bank of Ireland, and assigned Warrington Council a BBB+ rating.
- 2.2.18 After spiking in April following the US trade tariff announcements, UK credit default swap (CDS) prices trended down before picking up modestly in October and November. They declined again in December and ended the year in line with levels seen in the first half of the year and most of 2024.

2.2.19 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.

2.2.20 Financial market volatility is expected to remain, and CDS 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 has increased to £194.647m as at 31 December 2025, as reported in Table 2.

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 Q3 forecast for 2025/26, 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 Q3 forecast compared to the closing position for 2024/25.

Table 1 – Balance Sheet Summary

	31 March 25 Actual £'000	31 March 26 Q3 Forecast £'000
General Fund CFR	559,839	569,182
Total CFR	559,839	569,182
Less: Other debt liabilities (PFI)	223,812	217,038
Borrowing CFR	336,027	352,144
External borrowing	234,817	234,559
Internal borrowing	101,210	117,584
Less: Usable Balance Sheet Resources	(124,565)	(110,237)
Less: Working capital	(24,230)	(14,669)
Net Investments	(47,585)	(7,352)

2.3.4 Table 1 shows the forecast CFR for 2025/26 is £569.182m, an increase of £9.343m compared to £559.839 at the end of 2024/25. The CFR excluding other debt liabilities relating to Private Finance Initiative schemes is forecast to be £352.144m, an increase of £16.117m compared to the position at the end of 2024/25.

2.3.5 External borrowing is forecast to remain at similar levels 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 However, 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 31 December 2025 and the change over the year to date is shown in Table 2 below.

Table 2 - Treasury Management Summary

Borrowing/Investment	31.3.25 Balance £'000	Movement £'000	31.12.25 Balance £'000	31.12.25 Average Rate %
Long-term borrowing				
- PWLB	84,059	22,568	106,627	4.07%
- LOBOs	85,500	(10,000)	75,500	4.32%
- Other	40,001	254	40,255	4.03%
Short-term borrowing	25,257	4,743	30,000	4.33%
Total borrowing	234,817	17,565	252,382	
Long-term investments	13,611	4	13,615	4.62%
Short-term investments	-	-	-	
Cash and cash equivalents	33,975	10,145	44,120	4.14%
Total investments	47,586	10,149	57,735	
Net borrowing	187,231	7,146	194,647	

2.3.8 As can be seen in the table above, borrowing has increased by £17.6m, as was expected, and is likely to increase further in line with planned capital expenditure during the latter part of the year. The level of investment has increased £10.149m since the end of the year due to the cash position of the Council. Overall net borrowing has increased by £7.146m.

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 many central banks have now begun to reduce their policy rates, albeit slowly. Except in the very long term, gilt yields have decreased slightly over the period, reflecting expectations of lower interest rates, a tepid economy and to some extent an improvement in the UK government's fiscal position following tax rises in the autumn budget.
- 2.4.3 The PWLB certainty rate for 10-year maturity loans was 5.38% at the beginning of the period and 5.34% 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 future.
- 2.4.7 As at 31 December 2025, Oldham Council held £252.4m of loans. The Council has undertaken four new borrowings from Public Works Loan Board (PWLB) during the financial year of £25m taken in 1 block of £10m and 3 blocks of £5m at rates of between 4.62% and 4.91% over periods of between 3.5 years and 10 years. Following advice from external Treasury Advisors we are currently borrowing in smaller values whilst monitoring the interest rates. The position is summarised in Table 3 below.

Table 3 - Borrowing Position

Borrowing Sources	31.3.25 Balance £'000	Movement £'000	30.12.25 Balance £'000	30.12.25 Weighted Average Rate %	30.12.25 Weighted Average Maturity (years)
Public Works Loan Board	84,059	22,568	106,627	4.07%	10.02
Banks (LOBO)	85,500	(10,000)	75,500	4.32%	41.93
Banks (fixed-term)	40,000	-	40,000	4.03%	43.52
Local Authorities (short term)	25,000	5,000	30,000	4.33%	0.00
Local Bonds (long-term)	1	-	1	4.00%	
Local Bonds (short-term)	22	-	22	4.00%	
Local Charitable Trusts (short-term)	235	(4)	231	4.00%	
Total borrowing	234,817	17,565	252,382	0	

2.4.8 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.

LOBO Loans

2.4.9 Oldham Council holds £75.500m 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. During 2025/26 £10m of LOBO Loans have been called and repaid.

2.4.10 Currently Oldham Council has £39.000m LOBO loans with call dates within the next 12 months. Of this sum, £19.000m is held with Dexia Finance, £10.000m with KBC Bank and the remaining £10.000m split with two other providers, Just Retirement and Danske. At the time of writing Dexia £5m has been called and will be repaid, and re-financed accordingly.

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 31 December 2025, the Council held £44.120m of Money Market Funds and overnight investment in Barclays, representing income received in advance of expenditure plus balances and reserves held at the third quarter in the year, the Authority's investment balances ranged between £28.235m and £75.000m 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	31-Dec 2025 Balance £'000	31-Dec-25 Income Return %
Government (incl. Local Authorities)	0	0		
Money Market Funds	33,975	10,145	44,120	4.14%
Property Pooled Fund	13,611	4	13,615	4.62%
Total Investments	47,586	10,149	57,735	

- 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 Bank Rate reduced from 4.50% to 4.25% in May 2025, followed by a further reduction to 4.00% in August 2025 and 3.75% in December 2025. Short term interest rates have largely followed these levels. The rates on money market rates fluctuated between 4.54% (April) and reducing to 3.91% (Dec) in the same period.
- 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 £0.630m, representing 4.62% income return. The current value estimated is £13.615m as at 31st December 2025 as provided by the fund.

Statutory Override

- 2.5.7 Further to consultations in April 2023 and December 2024 the Ministry for Housing Communities and Local Government (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 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 provided for a loss of up to £2.000m, to mitigate the impact on the revenue budget of the statutory override not being extended and un-realised losses on pooled investment funds are required to be recognised.
- 2.5.9 The Council's investments continue to generate returns and there has been no increase in their perceived risk profile. Therefore, there are no immediate plans to dispose of any investments. The Council will continue to review the implications for the investment strategy and in consultation with Arlingclose. Any future Treasury Management Strategies will be revised accordingly.

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%	31 December 2025 Income Return % (Actual)
Budgeted Investment Rates	4.50%		4.25%
Overnight SONIA	4.10%	4.31%	4.14%

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 2025/26. The actual rate achieved in the first three quarters 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 £1.1m 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 31 December 2025 £'000	Maximum Allowable in 2024/25 £'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	13,615	15,000	Yes
Unsecured investments with building societies	-	-	20,000	Yes
Money Market Funds & and Barclays Overnight Account	75,007	44,120	80,000	Yes
Strategic Pooled Funds	13,642	13,615	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 31 December 2025 £'000	2025/26 Operational Boundary £'000	2025/26 Authorised Limit £'000	Compliance Yes/No
Borrowing	252.382	356,000	371,000	Yes
PFI and Finance Leases	217.038	230,250	235,250	Yes
Total Gross Borrowing / Limit	469.420	586,250	606,250	Yes

2.7.3 The Operational Boundary represents the maximum expected borrowing position for the Council for the year 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 was 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.

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.

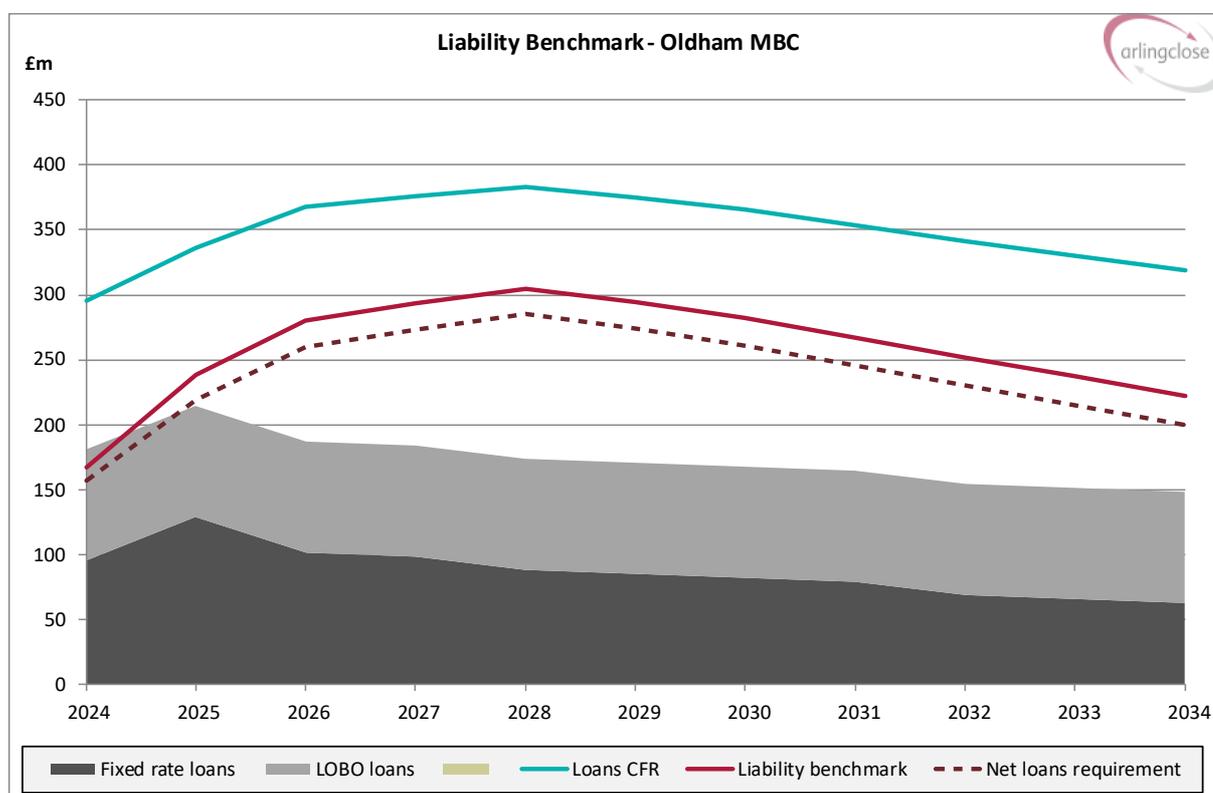
Liability Benchmark

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.

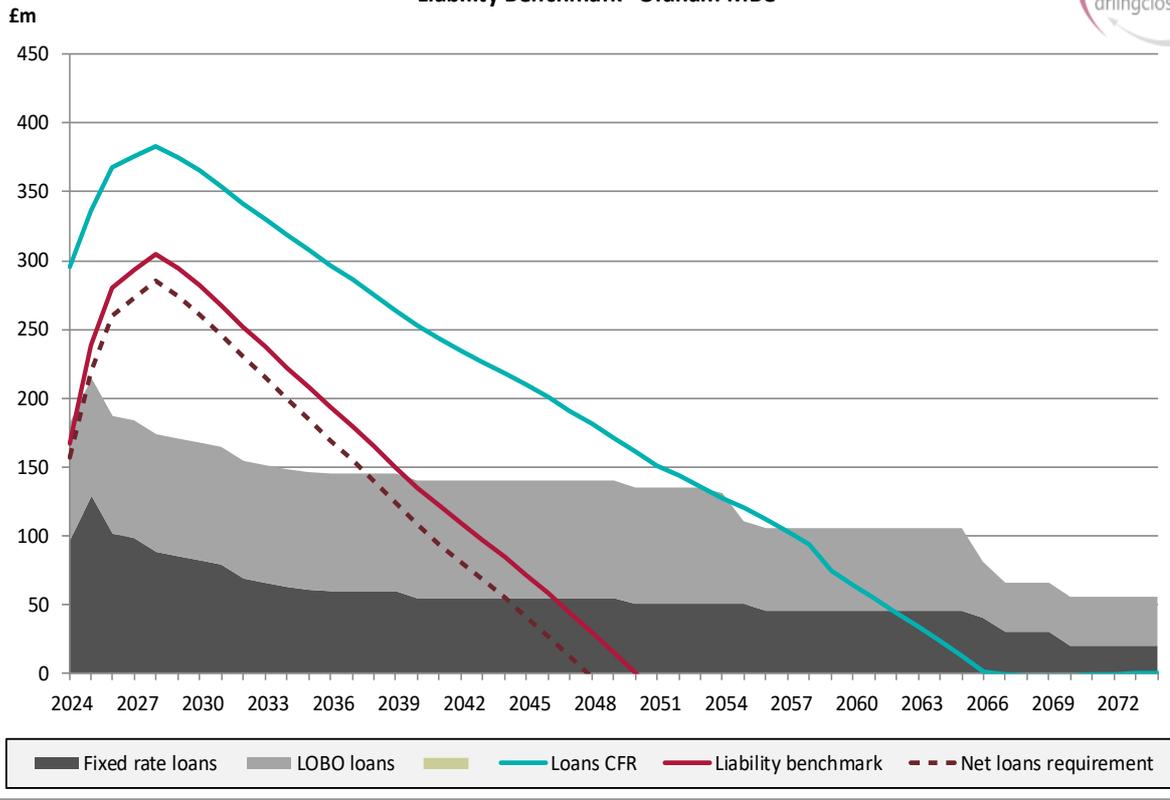
Table 9 - Liability Benchmark

	31 March 2025 Actual £'000	31 March 2026 Estimate £'000	31 March 2027 Estimate £'000	31 March 2028 Estimate £'000	31 March 2029 Estimate £'000
Loans CFR	336,027	352,144	376,253	379,116	375,124
Less: Balance sheet resources	(148,795)	(124,936)	(129,936)	(134,936)	(134,936)
Net loans requirement	187,232	227,208	246,317	244,180	240,188
Plus: Liquidity allowance	20,000	20,000	20,000	20,000	20,000
Liability benchmark	207,232	247,208	266,317	264,180	260,188

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 strategically 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 3rd quarter 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	31 Dec 2025 Actual	Compliance Yes/No
Under 12 months	35%	0%	25.47%	Yes
12 months and within 24 months	35%	0%	15.12%	Yes
24 months and within 5 years	35%	0%	21.32%	Yes
5 years and within 10 years	35%	0%	14.44%	Yes
10 years to 20 years	50%	0%	1.97%	Yes
20 years to 30 years	50%	0%	3.94%	Yes
30 years to 40 years	50%	0%	1.97%	Yes
40 years to 50 years	50%	0%	7.88%	Yes
50 years to 60 years	50%	0%	7.88%	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.

Limit /Actual Investments Exceeding One Year	2024/25	2025/26	2026/27	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, the Committee has no option other than to consider and comment on the current Treasury Management position. Therefore, no options /alternatives can be presented in respect of the factual information contained in this report.

4 Preferred Option

4.1 N/A

5 Consultation

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

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 advisers 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 Bougategf – Interim Borough Solicitor and 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 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
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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 show a summary of the prudential indicators 3rd quarter of 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	70,285	96,313	45,198
HRA	1	250	6,151	3,849
Total Capital Expenditure	81,791	70,535	102,464	49,047
Financing				
Grants & Contributions	(27,774)	(41,528)	(62,664)	(32,547)
Prudential Borrowing	(47,337)	(23,983)	(33,039)	(13,600)
Revenue	(13)	(310)	(3,010)	(0)
Capital Receipts	(6,667)	(4,714)	(3,751)	(2,900)
Total Financing	(81,791)	(70,535)	(102,464)	(49,047)

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	569,182	586,263	581,640
Total CFR	559,839	569,182	586,263	581,640

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 31 December 2025
	£'000	£'000	£'000	£'000	£'000
Gross Borrowing (incl. PFI & leases)	428,707	444,246	456,327	446,704	469,240
Capital Financing Requirement	559,839	569,182	586,263	581,640	569,182

Debt and the 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 31 December 2025	2025/26 Operational Boundary	2025//26 Authorised Limit	Compliance? Yes/No
	£'000	£'000	£'000	
Borrowing	252,382	356,000	371,000	Yes
PFI and Finance Leases	217,038	230,250	235,250	Yes
Total Debt	469,420	586,250	606,250	Yes

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. There have been no breaches against either operational boundary or authorised limits.

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.

	2025/26 Forecast £000	2026/27 Budget £000	2027/28 Budget £000	2028/29 Budget £000
Financing costs	31,315	32,141	34,987	35,074
General Fund	325,486	368,053	393,758	417,068
Proportion of net revenue stream	9.62%	8.73%	8.89%	8.41%

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.

	2025/26 Estimated £'000	2026/27 Estimated £'000	2027/28 Estimated £'000
Additional Revenue costs (£000)	103	498	649