Greater Manchester Combined Authority

Date: 12 December 2025

Subject: Treasury Management Strategy Statement and Annual Investment Strategy Mid-Year Review Report 2025/26

Report of: Steve Wilson, Group Chief Financial Officer

Purpose of Report

This report has been written in accordance with the requirements of Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2021), and covers the following:

a) An economic update for the first half of the 2025/26 financial year;

b) A review of the Treasury Management Strategy Statement and Annual Investment Strategy;

c) The Authority's capital expenditure, as set out in the Capital Strategy, and prudential indicators;

d) A review of the Authority's investment portfolio for 2025/26;

e) A review of the Authority's borrowing strategy for 2025/26;

f) A review of any debt rescheduling undertaken during 2025/26;

g) A review of compliance with Treasury and Prudential Limits for 2025/26.

Recommendations:

The GMCA is requested to:

1. Approve the Treasury Management Strategy Statement and Annual Investment Strategy Mid-Year Review Report 2025/26.

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Report authors must identify which paragraph relating to the following issues:

Equalities Impact, Carbon and Sustainability Assessment:

N/A

Risk Management

There are considerable risks to the security of the GMCA's resources if appropriate Treasury Management strategies and policies are not adopted and followed. The GMCA has established good practice in relation to Treasury Management.

Legal Considerations

This report fulfils the statutory requirements to have the necessary prudential indicators to be included in a Treasury Management Strategy.

Financial Consequences – Revenue

Financial revenue consequences are contained within the body of the report.

Financial Consequences – Capital

Financial capital consequences are contained within the body of the report.

Number of attachments to the report:

None

Comments/recommendations from Overview & Scrutiny Committee

N/A

Background Papers

Treasury Management Strategy Statement, GMCA 28 March 2025

Treasury Management Update Q1, Audit Committee 22 September 2025

Tracking/ Process

Does this report relate to a major strategic decision, as set out in the GMCA Constitution

No

Exemption from call in

Are there any aspects in this report which means it should be considered to be exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?

N/A

GM Transport Committee

N/A

Overview and Scrutiny Committee

N/A

1. Background

1.1. Treasury Management

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

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

1.1.3 Accordingly, treasury management is defined as:

"The management of the local authority's borrowing, 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."

1.2. CIPFA Consultation on Treasury Management and Prudential Codes of Practice

1.2.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) is currently consulting local authorities in respect of potential changes to the Codes. At this juncture, the focus seems to primarily be on the non-treasury investment aspects of local authority activity. Officers will provide an update on any material developments/changes in due course.

2. Introduction

2.1 This report has been written in accordance with the requirements of CIPFA's Code of Practice on Treasury Management (revised 2021).

2.2 The primary requirements of the Code are as follows:

a) Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Authority's treasury management activities.

b) Creation and maintenance of Treasury Management Practices which set out the manner in which the Authority will seek to achieve those policies and objectives.

c) Receipt by the full Authority of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy, a Mid-year Review Report and an Annual Report, (stewardship report), covering activities during the previous year. (Quarterly reports are also required for the periods ending April to June and October to December but may be assigned to a designated committee or panel as deemed appropriate to meet the Treasury Management governance and scrutiny aspects of the Authority.)

d) Delegation by the Authority of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.

e) Delegation by the Authority of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Authority the delegated body is the Audit Committee.

3. Economics and Interest Rates

3.1. Economics Update

3.1.1 The first half of 2025/26 saw:

a) A 0.3% pick up in Gross Domestic Product (GDP) for the period April 2025 to June 2025. More recently, the economy flatlined in July 2025, with higher taxes for businesses restraining growth.

b) The 3m/yy rate of average earnings growth excluding bonuses has fallen from 5.5% to 4.8% in July 2025.

c) Consumer Price Index (CPI) inflation has ebbed and flowed but finished September 2025 at 3.8%, whilst core inflation eased to 3.6%.

d) The Bank of England cut interest rates from 4.50% to 4.25% in May 2025, and then to 4% in August 2025.

3.1.2 From a GDP perspective, the financial year got off to a bumpy start with the 0.3% m/m fall in real GDP in April 205 as front-running of United States (US) tariffs in Q1 (when GDP grew 0.7% on the quarter) weighed on activity. Despite the underlying reasons for the drop, it was still the first fall since October 2024 and the largest fall since October 2023. However, the economy surprised to the upside in May 2025 and June 2025 so that quarterly growth ended up 0.3% q/q. Nonetheless, the 0.0% m/m change in real GDP in July 2025 will have caused some concern, with the hikes in taxes for businesses that took place in April 2025 this year undoubtedly playing a part in restraining growth. The weak overseas environment is also likely to have contributed to the 1.3% m/m fall in manufacturing output in July 2025. That was the second large fall in three months and left the 3m/3m rate at a 20-month low of -1.1%. The 0.1% m/m rise in services output kept its 3m/3m rate at 0.4%, supported by stronger output in the health and arts/entertainment sectors. Looking ahead, ongoing speculation about further tax rises in the Autumn Budget on 26 November 2025 will remain a drag on GDP growth for a while yet. GDP growth for 2025 is forecast by Capital Economics to be 1.3%.

3.1.3 Sticking with future economic sentiment, the composite Purchasing Manager Index (PMI) for the United Kingdom (UK) fell from 53.5 in August 2025 to 51.0 in September 2025. The decline was mostly driven by a fall in the services PMI, which declined from 54.2 to 51.9. The manufacturing PMI output balance also fell, from 49.3 to 45.4. That was due to both weak overseas demand (the new exports orders balance fell for the fourth month in a row) and the cyber-attack-induced shutdown at Jaguar Land Rover since 1 September 2025 reducing car production across the automotive supply chain. The PMIs suggest tepid growth is the best that can be expected when the Q3 GDP numbers are released.

3.1.4 Turning to retail sales, and the 0.5% m/m rise in volumes in August 2025 was the third such rise in a row and was driven by gains in all the major categories except fuel sales, which fell by 2.0% m/m. Sales may have been supported by the warmer-than-usual weather. If sales were just flat in September 2025, then in Q3 sales volumes would be up 0.7% q/q compared to the 0.2% q/q gain in Q2.

3.1.5 With the November 2025 Budget edging nearer, the public finances position looks weak. Public net sector borrowing of £18.0bn in August 2025 means that after five months of the financial year, borrowing is already £11.4bn higher than the Office for Budgetary Responsibility (OBR) forecast at the Spring Statement in March 2025. The overshoot in the Chancellor's chosen fiscal mandate of the current budget is even greater with a cumulative deficit of £15.3bn. All this was due to both current receipts in August 2025 being lower than the OBR forecast (by £1.8bn) and current expenditure being higher (by £1.0bn). Over the first five months of the financial year, current receipts have fallen short by a total of £6.1bn (partly due to lower-than-expected self-assessment income tax) and current expenditure has overshot by a total of £3.7bn (partly due to social benefits and departmental spending). Furthermore, what very much matters now is the OBR forecasts and their impact on the current budget in 2029/30, which is when the Chancellor's fiscal mandate bites. As a general guide, Capital Economics forecasts a deficit of about £18bn, meaning the Chancellor will have to raise £28bn, mostly through higher taxes, if she wants to keep her buffer against her rule of £10bn.

3.1.6 The weakening in the jobs market looked clear in the spring. May 2025's 109,000 m/m fall in the Pay As You Earn (PAYE) measure of employment was the largest decline (barring the pandemic) since the data began and the seventh in as many months. The monthly change was revised lower in five of the previous seven months too, with April 2025's 33,000 fall revised down to a 55,000 drop. More recently, however, the monthly change was revised higher in seven of the previous nine months by a total of 22,000. So instead of falling by 165,000 in total since October 2025, payroll employment is now thought to have declined by a smaller 153,000. Even so, payroll employment has still fallen in nine of the ten months since the Chancellor announced the rises in National Insurance Contributions (NICs) for employers and the minimum wage in the October 2024 Budget. The number of job vacancies in the three months to August 2025 stood at 728,000. Vacancies have now fallen by approximately 47% since its peak in April 2022. All this suggests the labour market continues to loosen, albeit at a declining pace.

3.1.7 A looser labour market is driving softer wage pressures. The 3m/yy rate of average earnings growth excluding bonuses has fallen from 5.5% in April 2025 to 4.8% in July 2025. The rate for the private sector slipped from 5.5% to 4.7%, putting it on track to be in line with the Bank of England's Q3 forecast (4.6% for September 2025).

3.1.8 CPI Inflation fell slightly from 3.5% in April 2025 to 3.4% in May 2025, and services inflation dropped from 5.4% to 4.7%, whilst core inflation also softened from 3.8% to 3.5%. More recently, though, inflation pressures have resurfaced, although the recent upward march in CPI inflation did pause for breath in August 2025, with CPI inflation staying at 3.8%. Core inflation eased once more too, from 3.8% to 3.6%, and services inflation dipped from 5.0% to 4.7%. So, we finish the half year in a similar position to where we started, although with food inflation rising to an 18-month high of 5.1% and households' expectations for inflation standing at a six year high, a further loosening in the labour market and weaker wage growth may be a requisite to UK inflation coming in below 2.0% by 2027.

3.1.9 An ever-present issue throughout the past six months has been the pressure being exerted on medium and longer dated gilt yields. The yield on the 10-year gilt moved sideways in the second quarter of 2025, rising from 4.4% in early April 2025 to 4.8% in mid-April 2025 following wider global bond market volatility stemming from the "Liberation Day" tariff announcement, and then easing back as trade tensions began to de-escalate. By the end of April 2025, the 10-year gilt yield had returned to 4.4%. In May 2025, concerns about stickier inflation and shifting expectations about the path for interest rates led to another rise, with the 10-year gilt yield fluctuating between 4.6% and 4.75% for most of May 2025. Thereafter, as trade tensions continued to ease and markets increasingly began to price in looser monetary policy, the 10-year yield edged lower, and ended Q2 at 4.50%.

3.1.10 More recently, the yield on the 10-year gilt rose from 4.46% to 4.60% in early July 2025 as rolled-back spending cuts and uncertainty over Chancellor Reeves' future raised fiscal concerns. Although the spike proved short lived, it highlighted the UK's fragile fiscal position. In an era of high debt, high interest rates and low GDP growth, the markets are now more sensitive to fiscal risks than before the pandemic. During August 2025, long-dated gilts underwent a particularly pronounced sell-off, climbing 22 basis points and reaching a 27-year high of 5.6% by the end of the month. While yields have since eased back, the market sell-off was driven by investor concerns over growing supply-demand imbalances, stemming from unease over the lack of fiscal consolidation and reduced demand from traditional long-dated bond purchasers like pension funds. For 10-year gilts, by late September 2025, sticky inflation, resilient activity data and a hawkish Bank of England have kept yields elevated over 4.70%.

3.1.11 The Financial Times Stock Exchange (FTSE) 100 fell sharply following the “Liberation Day” tariff announcement, dropping by more than 10% in the first week of April 2025 - from 8,634 on 1 April 2025 to 7,702 on 7 April 2025. However, the de-escalation of the trade war coupled with strong corporate earnings led to a rapid rebound starting in late April 2025. As a result, the FTSE 100 closed Q2 at 8,761, around 2% higher than its value at the end of Q1 and more than 7% above its level at the start of 2025. Since then, the FTSE 100 has enjoyed a further 4% rise in July 2025, its strongest monthly gain since January 2025 and outperforming the Standard & Poor (S&P) 500. Strong corporate earnings and progress in trade talks (US-European Union (EU), UK-India) lifted share prices and the index hit a record 9,321 in mid-August 2025, driven by hopes of peace in Ukraine and dovish signals from Fed Chair Powell. September 2025 proved more volatile and the FTSE 100 closed Q3 at 9,350, 7% higher than at the end of Q1 and 14% higher since the start of 2025. Future performance will likely be impacted by the extent to which investors’ global risk appetite remains intact, Fed rate cuts, resilience in the US economy, and Artificial Intelligence (AI) optimism. A weaker pound will also boost the index as it inflates overseas earnings.

3.2. MPC meetings: 8 May, 19 June, 7 August, 18 September 2025

3.2.1 There were four Monetary Policy Committee (MPC) meetings in the first half of the financial year. In May 2025, the Committee cut Bank Rate from 4.50% to 4.25%, while in June 2025 policy was left unchanged. In June 2025’s vote, three MPC members (Dhingra, Ramsden and Taylor) voted for an immediate cut to 4.00%, citing loosening labour market conditions. The other six members were more cautious, as they highlighted the need to monitor for “signs of weak demand”, “supply-side constraints” and higher “inflation expectations”, mainly from rising food prices. By repeating the well-used phrase “gradual and careful”, the MPC continued to suggest that rates would be reduced further.

3.2.2 In August 2025, a further rate cut was implemented. However, a 5-4 split vote for a rate cut to 4% laid bare the different views within the MPC, with the accompanying commentary noting the decision was “finely balanced” and reiterating that future rate cuts would be undertaken “gradually and carefully”. Ultimately, Governor Bailey was the casting vote for a rate cut but with the CPI measure of inflation expected to reach at least 4% later this year, the MPC will be wary of making any further rate cuts until inflation begins its slow downwards trajectory back towards 2%.

3.2.3 The Bank of England does not anticipate CPI getting to 2% until early 2027, and with wages still rising by just below 5%, it was no surprise that the September 2025 meeting saw the MPC vote 7-2 for keeping rates at 4% (Dhingra and Taylor voted for a further 25 basis points (bps) reduction).

3.2.4 The Bank also took the opportunity to announce that they would only shrink its balance sheet by £70bn over the next 12 months, rather than £100bn. The repetition of the phrase that “a gradual and careful” approach to rate cuts is appropriate suggests the Bank still thinks interest rates will fall further but possibly not until February 2026, which aligns with both our treasury advisor’s view and that of the prevailing market sentiment.

3.3. Interest Rate Forecasts

3.2.1 The Authority has appointed Mitsubishi UFJ Financial Group (MUFG) Corporate Markets as its treasury advisors and part of their service is to assist the Authority to formulate a view on interest rates. The Public Works Loan Board (PWLB) rate forecasts below are based on the Certainty Rate (the standard rate minus 20bps) which has been accessible to most authorities since 1 November 2012.

3.2.2 MUFG Corporate Markets’ latest forecast on 11 August 2025 sets out a view that short, medium and long-dated interest rates will fall back over the next year or two, although there are upside risks in respect of the stickiness of inflation and a continuing tight labour market, as well as the size of gilt issuance.

	Sep 25	Dec 25	Mar 26	Jun 26	Sep 26	Dec 26	Mar 27	Jun 27	Sep 27	Dec 27	Mar 27	Jun 27	Mar 28
BANK RATE	4.00	4.00	3.75	3.75	3.50	3.50	3.50	3.50	3.25	3.25	3.25	3.25	3.25
3-month ave earnings	4.00	4.00	3.80	3.80	3.50	3.50	3.50	3.50	3.30	3.30	3.30	3.30	3.30
6-month ave earnings	4.00	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.30	3.30	3.40	3.40	3.40
12-month ave earnings	4.00	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.30	3.40	3.50	3.60	3.60
5 yr PWLB	4.80	4.70	4.50	4.40	4.30	4.30	4.30	4.20	4.20	4.20	4.20	4.10	4.10
10 yr PWLB	5.30	5.20	5.00	4.90	4.80	4.80	4.80	4.70	4.70	4.70	4.70	4.60	4.60

	Sep 25	Dec 25	Mar 26	Jun 26	Sep 26	Dec 26	Mar 27	Jun 27	Sep 27	Dec 27	Mar 27	Jun 27	Mar 28
25 yr PWLB	6.10	5.90	5.70	5.70	5.50	5.50	5.50	5.40	5.40	5.30	5.30	5.30	5.20
50 yr PWLB	5.80	5.60	5.40	5.40	5.30	5.30	5.30	5.20	5.20	5.10	5.10	5.00	5.00

4. Treasury Management Strategy Statement and Annual Investment Strategy Update

4.1 The Treasury Management Strategy Statement, (TMSS), for 2025/26 was approved by this Authority on 28 March 2025. There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

Prudential Indicator 2025/26	Budget £m	Revised Prudential Indicator £m
Authorised Limit	2,747.6	2,788.0
Operational Boundary	2,628.9	2,662.3
Capital Financing Requirement	2,471.7	2,512.7

5. The Authority's Capital Position (Prudential Indicators)

5.1 This part of the report is structured to update:

a) The Authority's capital expenditure plans;
b) How these plans are being financed;
c) The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
d) Compliance with the limits in place for borrowing activity.

5.2 Prudential Indicator for Capital Expenditure

5.2.1 This table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget.

Capital Expenditure by Service	2025/26 Original Estimate £m	2025/26 Revised Estimate £m
Transport	262.6	288.7
Economic Development & Regeneration	270.4	267.7
Fire & Rescue Service	39.7	29.0
Waste & Resources Service	25.6	35.1

Capital Expenditure by Service	2025/26	2025/26
Police Service	38.0	34.2
Total Capital Expenditure	**636.3**	**654.7**

5.3 Changes to the Financing of the Capital Programme

5.3.1 The table below draws together the main strategy elements of the capital expenditure plans (above), highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Authority by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Capital Expenditure	2025/26 Original Estimate £m	2025/26 Revised Estimate £m
Total capital expenditure	636.3	654.7
Financed by:		
Capital receipts	128.7	102.7
Capital grants	372.7	395.0
Revenue	0.1	1.0
External Contributions	7.3	7.3
Total financing	508.7	506.0
Borrowing requirement	**127.2**	**148.7**

5.4 Changes to the Prudential Indicators for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary

5.4.1 The table below shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period, which is termed the Operational Boundary.

	2025/26 Original Estimate £m	2025/26 Revised Estimate £m
Prudential Indicator – Capital Financing Requirement		
CFR	2,471.7	2,521.7

Net movement in CFR	24.5	46.8
Prudential Indicator – the Operational Boundary for external debt		
Borrowing	2,600.2	2,638.4
Other long-term liabilities	28.7	23.9
Operational Boundary	**2,628.9**	**2,662.3**

5.5 Limits to Borrowing Activity

5.5.1 The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. **Gross external borrowing** should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2025/26 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Authority has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

	2025/26 Original Estimate £m	**2025/26 Revised Estimate £m**
Borrowing	1,385.4	1,430.8
Other long-term liabilities	28.9	23.9
Total debt	**1,414.3**	**1,454.7**
CFR	**2,471.8**	**2,512.7**

5.5.2 A further prudential indicator controls the overall level of borrowing. This is **the Authorised Limit** which represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised limit for external debt	**2025/26 Original Indicator £m**	**2025/26 Revised Indicator £m**
Borrowing	2,718.9	2,764.0
Other long-term liabilities	28.6	23.9

Authorised limit for external debt	2025/26 Original Indicator £m	2025/26 Revised Indicator £m
Total	**2,747.5**	**2,787.9**

6. Borrowing

6.1 The Authority's capital financing requirement (CFR) for 2025/26 is £2,512.7m. The CFR denotes the Authority's underlying need to borrow for capital purposes. If the CFR is positive the Authority may borrow from the PWLB or the market (external borrowing), or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. Table 5.5.1 shows the Authority is forecast to have borrowings of £1,454m and will utilise £1,058m of cash flow funds in lieu of borrowing. This is a prudent and cost-effective approach in the current economic climate but will require ongoing monitoring if gilt yields remain elevated, particularly at the longer-end of the yield curve (25 to 50 years).

6.2 The capital programme is being kept under regular review due to the effects of inflationary pressures, shortages of materials and labour. Our borrowing strategy will, therefore, also be regularly reviewed and then revised, if necessary, to achieve optimum value and risk exposure in the long-term.

6.3 PWLB maturity certainty rates (gilts plus 80bps) year to date to 30 September 2025

6.3.1 Gilt yields and PWLB certainty rates have remained relatively volatile throughout the six months under review, but the general trend has been for medium and longer dated parts of the curve to shift higher whilst the 5-year part of the curve finished September 2025 close to where it began in April 2025.

6.3.2 Concerns around the stickiness of inflation, elevated wages, households' inflation expectations reaching a six-year high, and the difficult funding choices facing the Chancellor in the upcoming Budget on 26 November 2025 dominated market thinking, although international factors emanating from the Trump administration's fiscal, tariff and geo-political policies also played a role.

6.3.3 At the beginning of April 2025, the 1-year certainty rate was the cheapest part of the curve at 4.82% whilst the 25-year rate was relatively expensive at 5.92%.

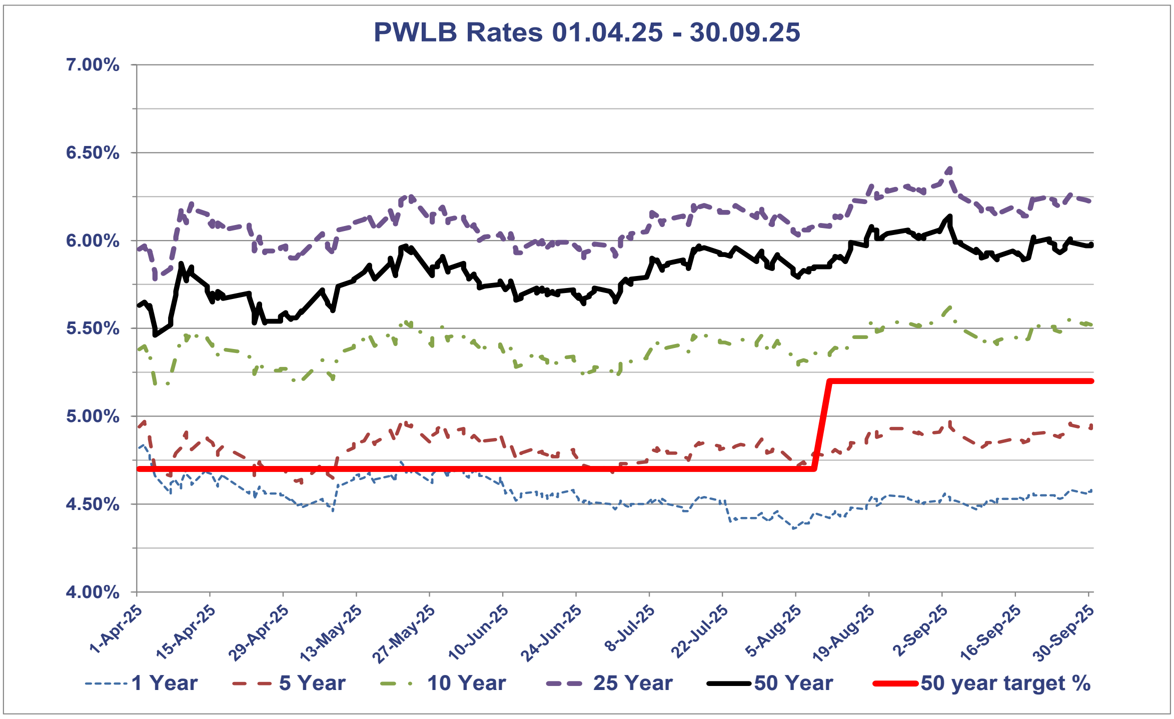
Early September 2025 saw the high point for medium and longer-dated rates, although there was a small reduction in rates, comparatively speaking, by the end of the month.

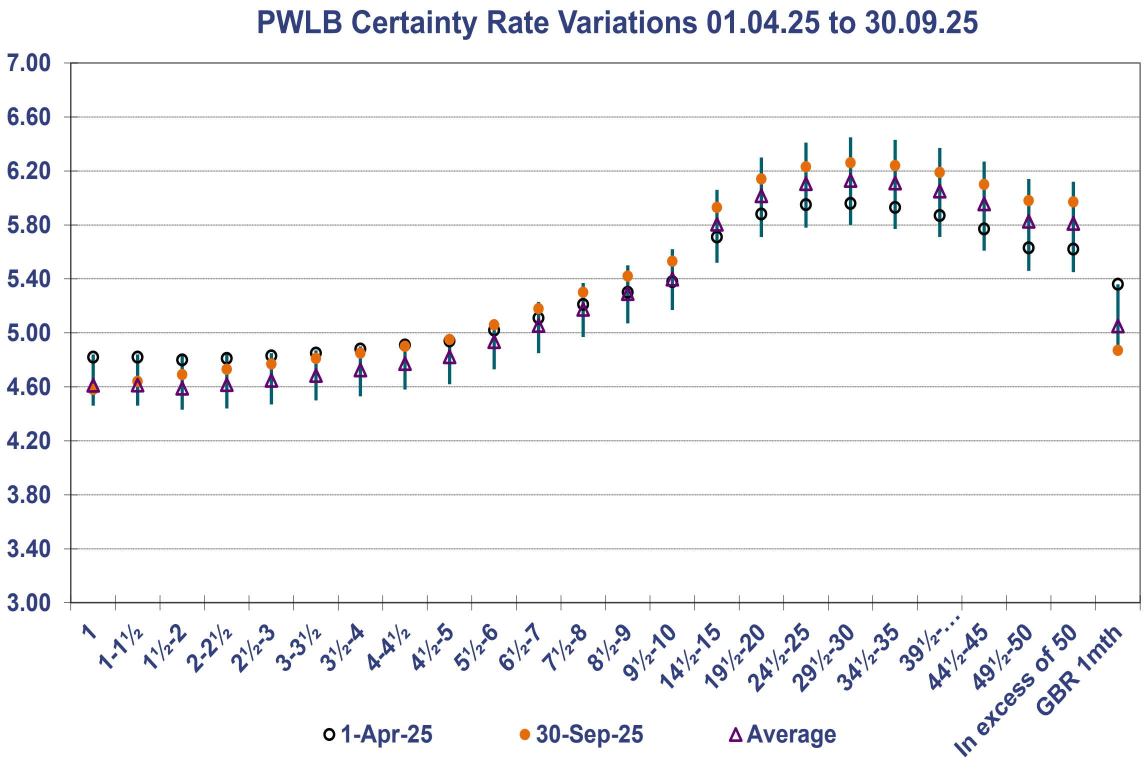
6.3.4 The spread in the 5-year part of the curve (the difference between the lowest and highest rates for the duration) was the smallest at 37 basis points whilst, conversely, the 50-years' part of the curve saw a spread of 68 basis points.

6.3.5 At this juncture, MUFG Corporate Markets still forecasts rates to fall back over the next two to three years as inflation dampens, although there is upside risk to all forecasts at present. The CPI measure of inflation is expected to fall below 2% in early 2027 but hit a peak of 4% or higher later in 2025.

6.3.6 The Bank of England announced in September 2025 that it would be favouring the short and medium part of the curve for the foreseeable future when issuing gilts, but market reaction to the November 2025 Budget is likely to be the decisive factor in future gilt market attractiveness to investors and their willingness to buy UK sovereign debt.

6.3.7 PWLB Rates 1 April 2025 – 30 September 2025





6.3.8 High/ Low/ Average PWLB Rates for 1 April 2025 – 30 September 2025

	1 Year	5 Year	10 Year	25 Year	50 Year
1 April 2025	4.82%	4.94%	5.38%	5.95%	5.63%
30 September 2025	4.58%	4.95%	5.53%	6.23%	5.98%
Low	4.36%	4.62%	5.17%	5.78%	5.46%
Low Date	4 August 2025	2 May 2025	2 May 2025	4 April 2025	4 April 2025
High	4.84%	4.99%	5.62%	6.41%	6.14%
High Date	2 April 2025	21 May 2025	3 September 2025	3 September 2025	3 September 2025
Average	4.55%	4.82%	5.40%	6.11%	5.83%
Spread	0.48%	0.37%	0.45%	0.63%	0.68%

The current PWLB rates are set as margins over gilt yields as follows:

- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)

- **PWLB Certainty Rate (General Fund (GF))** is gilt plus 80 basis points (G+80bps)
- **PWLB Local Infrastructure Rate** is gilt plus 60 basis points (G+60bps)
- **PWLB Certainty Rate (Housing Revenue Account (HRA))** is gilt plus 40bps (G+40bps)

The **National Wealth Fund** will lend to local authorities that meet its scheme criteria at a rate currently set at gilt plus 40bps (G+40bps).

7. Debt Rescheduling

7.1 Debt repayment and rescheduling opportunities have increased over the course of the past six months and will be considered if giving rise to long-term savings. In May 2025, the Authority converted a £25m fixed rate maturity repayment loan into a 3-year interest only loan that converts to an Equal Instalments of Principal (EIP) repayment loan of 20-year duration.

8. Compliance with Treasury and Prudential Limits

8.1 It is a statutory duty for the Authority to determine and keep under review the affordable borrowing limits. During the half year ended 30 September 2025, the Authority has operated within the treasury and prudential indicators set out in the Authority's Treasury Management Strategy Statement for 2025/26. The Chief Finance Officer reports that no difficulties are envisaged for the current or future years in complying with these indicators.

8.2 All treasury management operations have also been conducted in full compliance with the Authority's Treasury Management Practices.

9. Annual Investment Strategy

9.1. The Treasury Management Strategy Statement (TMSS) for 2025/26, which includes the Annual Investment Strategy, was approved by the Authority on 28 March 2025. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Authority's investment priorities as being:

a) Security of capital
b) Liquidity
c) Yield

9.2 The Authority will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Authority's risk appetite. In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with high credit quality financial institutions, using the MUFG Corporate Markets suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.

9.3 Creditworthiness

9.3.1 The UK's sovereign rating has proven robust through the first half of 2025/26. The Government is expected to outline in detail its future fiscal proposals in the Budget scheduled for 26 November 2025.

9.4 Investment Counterparty criteria

9.4.1 The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

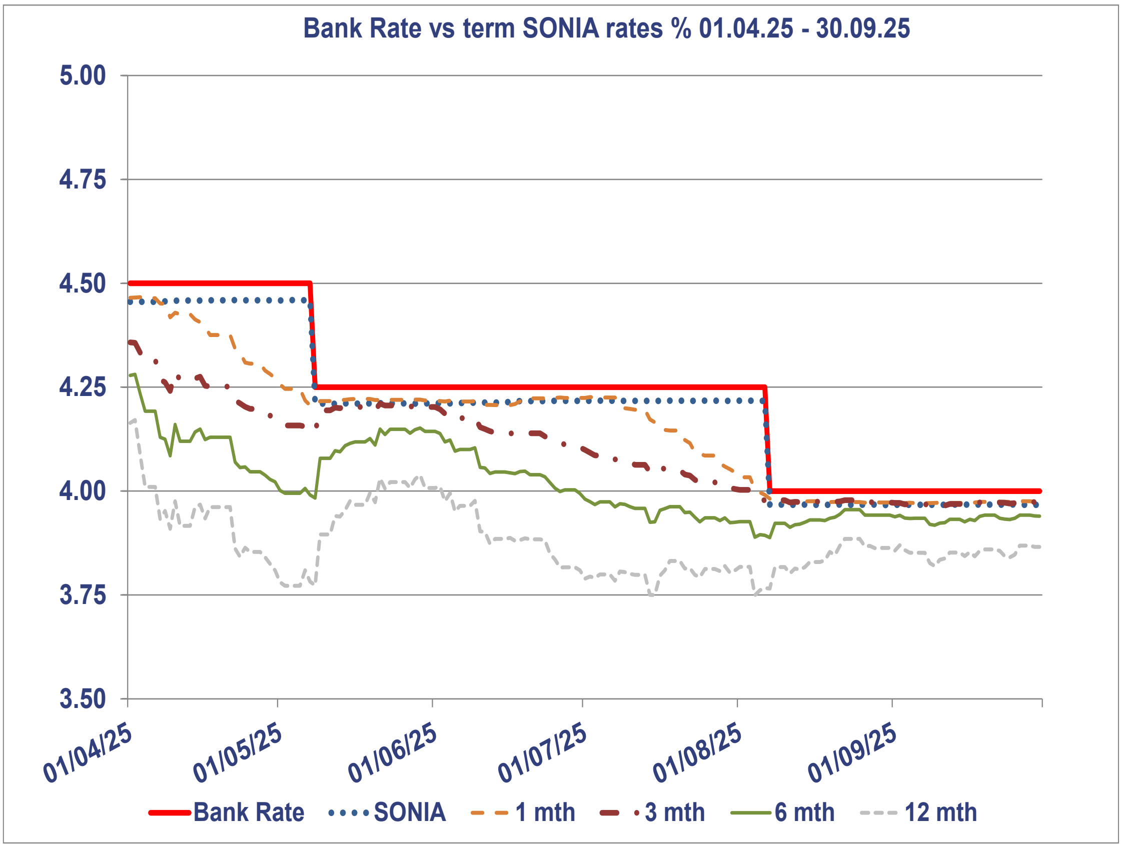
9.5 Credit Default Swaps (CDS) prices

9.5.1 It is noted that sentiment in the current economic climate can easily shift, so it remains important to undertake continual monitoring of all aspects of risk and return in the current circumstances.

9.6 Investment balances

9.6.1 The average level of funds available for investment purposes during the first half of the financial year was **£519.7m**. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the capital programme.

9.6.2 Investment performance year to date as of 30 September 2025.



	Bank Rate	SONIA	1 Month	3 Month	6 Month	12 Month
High	4.50%	4.46%	4.47%	4.36%	4.28%	4.17%
High date	1 April 2025	7 May 2025	3 April 2025	1 April 2025	2 April 2025	2 April 2025
Low	4.00%	3.97%	3.97%	3.96%	3.89%	3.75%
Low date	7 August 2025	29 August 2025	16 September 2025	8 September 2025	7 August 2025	4 August 2025
Average	4.23%	4.19%	4.16%	4.10%	4.01%	3.88%
Spread	0.50%	0.49%	0.50%	0.39%	0.39%	0.42%

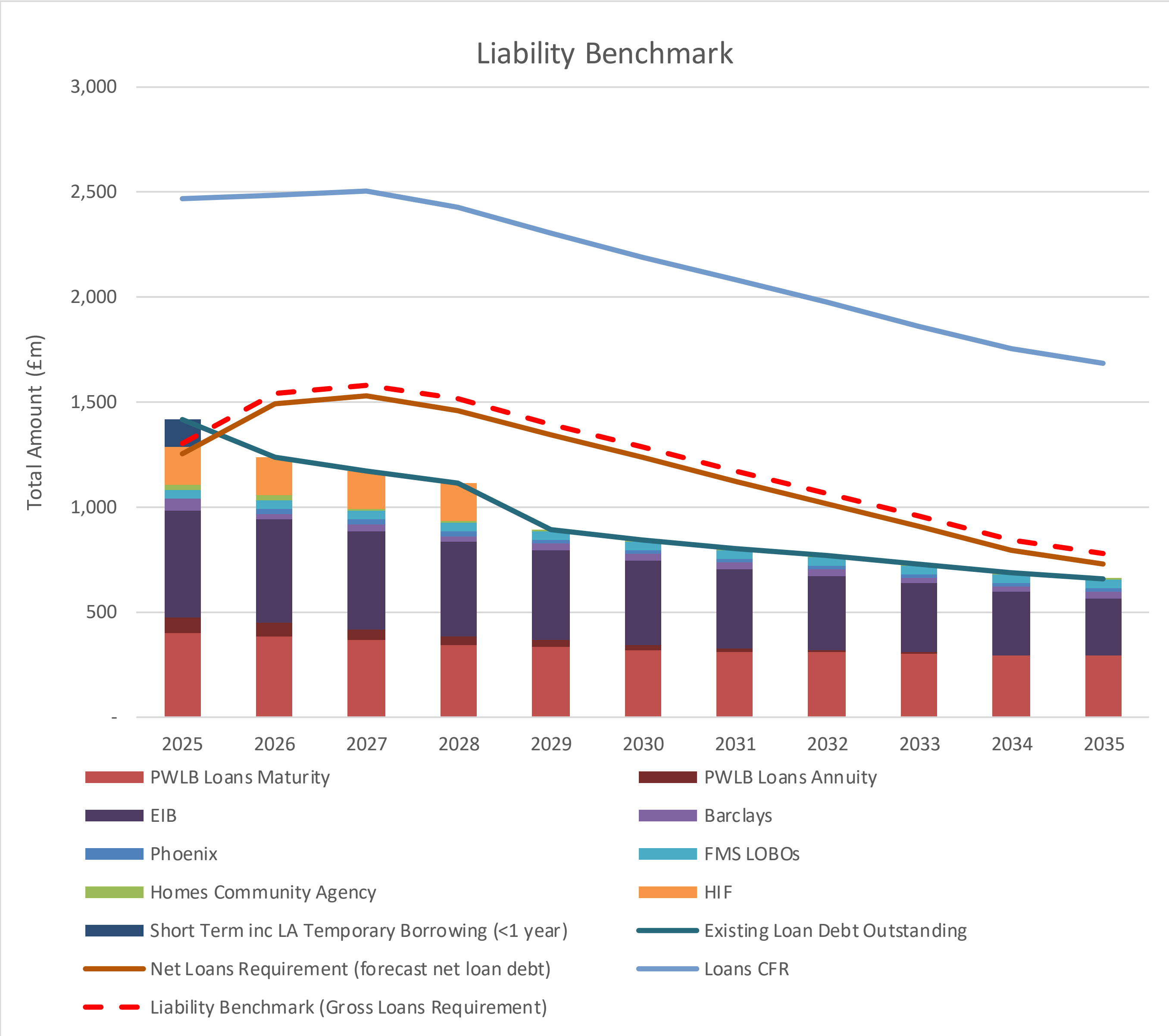
9.7 Investment performance year to date as of 30 September 2025

9.7.1 The Authority outperformed the benchmark by **0.10 bps**. The Authority's budgeted investment return for 2025/26 is **£2.257m**, and performance for the year to date is **£8.900m** above budget.

9.8 Approved limits

9.8.1 Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the period ended 30 September 2025.

APPENDIX 1: the CFR, Liability Benchmark and Borrowing



APPENDIX 2: Investment Portfolio

Investments held as of 30 September 2025 compared to our counterparty list:

Borrower	Principal £m	Interest Rate	Start Date	Maturity Date	Lowest LT/ Fund Rating	Historic Risk of Default
Barclays Bank Plc (NRFB)	9.475	3.40%		Call	A+	0.000%
TfGM	85.374	0.00%		Call	AA-	0.000%
MMF Aberdeen Standard Investments	25.480	4.07%		MMF	AAAm	
MMF Aviva	29.720	4.07%		MMF	AAAm	
MMF BlackRock	17.990	4.05%		MMF	AAAm	
MMF CCLA	10.920	3.94%		MMF	AAAm	
MMF Federated Investors (UK)	50.000	4.10%		MMF	AAAm	
MMF Insight	39.680	4.06%		MMF	AAAm	
Stockport Metropolitan Borough Council	5.000	4.20%	03-Jul-25	03-Oct-25	AA-	0.000%
Plymouth City Council	10.000	4.35%	06-May-25	06-Oct-25	AA-	0.000%
East Dunbartonshire Council	5.000	4.30%	14-Apr-25	14-Oct-25	AA-	0.001%
Highland Council	5.000	4.30%	22-Apr-25	17-Oct-25	AA-	0.001%
Oldham Metropolitan Borough Council	10.000	4.30%	17-Apr-25	17-Oct-25	AA-	0.001%
Harlow District Council	10.000	4.10%	21-Jul-25	21-Oct-25	AA-	0.001%
London Borough of Barking & Dagenham	10.000	4.15%	23-Jul-25	23-Oct-25	AA-	0.001%
Blackpool Borough Council	8.000	4.30%	25-Apr-25	27-Oct-25	AA-	0.002%
Cornwall Council	20.000	4.40%	25-Apr-25	27-Oct-25	AA-	0.002%
Surrey County Council	10.000	4.25%	29-Sep-25	03-Nov-25	AA-	0.002%
Harlow District Council	6.000	4.05%	05-Aug-25	05-Nov-25	AA-	0.002%
Stockport Metropolitan Borough Council	10.000	4.00%	01-Sep-25	05-Nov-25	AA-	0.002%
Blaenau Gwent County Borough Council	5.000	4.08%	07-Aug-25	07-Nov-25	AA-	0.002%
London Borough of Barking & Dagenham	10.000	4.25%	07-Jul-25	07-Nov-25	AA-	0.002%
Central Bedfordshire Council	20.000	4.25%	09-Jun-25	10-Nov-25	AA-	0.002%
National Westminster Bank Plc (RFB)	10.000	4.12%	17-Jul-25	17-Nov-25	A+	0.006%
Stockport Metropolitan Borough Council	5.000	4.05%	19-Sep-25	17-Nov-25	AA-	0.003%
Bristol City Council	20.000	4.10%	22-Sep-25	24-Nov-25	AA-	0.003%
Luton Borough Council	10.000	4.25%	27-Jun-25	27-Nov-25	AA-	0.004%
Blaenau Gwent County Borough Council	10.000	4.20%	28-Jun-25	28-Nov-25	AA-	0.004%
East Dunbartonshire Council	5.000	4.19%	30-May-25	28-Nov-25	AA-	0.004%
Lloyds Bank PLC (RFB)	10.000	4.15%	16-Jul-25	01-Dec-25	A+	0.008%
Stockport Metropolitan Borough Council	10.000	4.05%	15-Sep-25	03-Dec-25	AA-	0.004%
SMBC Bank International Plc	10.000	4.09%	16-Sep-25	16-Dec-25	A-	0.010%
Cornwall Council	10.000	4.10%	17-Sep-25	17-Dec-25	AA-	0.005%
Dover District Council	3.000	4.20%	23-Jun-25	19-Dec-25	AA-	0.005%
Dover District Council	20.000	4.20%	30-Jun-25	19-Dec-25	AA-	0.005%
Total Investments	**535.639**					

Maximum Duration

60 Months | 12 Months | 100 Days | 12 Months

24 Months | 6 Months | 0 Months

APPENDIX 3: Approved Countries for Investments as of 30 September 2025

Based on lowest available rating

AAA

- Australia
- Denmark
- Germany
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- U.S.A.

AA

- Abu Dhabi (UAE)
- Finland
- Qatar

AA-

- U.K.

A+

- Belgium
- France