

## Audit Committee

Date: 23 February 2026

Subject: Quarterly Treasury Management Update – 31 December 2025

Report of: Steve Wilson, Group Chief Financial Officer

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### Purpose of Report

To update Members on treasury management activities during the third quarter of 2025/26.

### Recommendations:

Members are requested to:

1. Comment and note the report on treasury activities during the third quarter of 2025/26 and the forecast prudential and treasury indicators in Appendix 1.

### Contact Officers

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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.

BOLTON  
BURY

MANCHESTER  
OLDHAM

ROCHDALE  
SALFORD

STOCKPORT  
TAMESIDE

TRAFFORD  
WIGAN

## **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](#)

[Mid-Year Treasury Management Review, GMCA 12 December 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. Introduction/Background

1.1 The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management 2021 recommends that Members be updated on treasury management activities at least quarterly. This report, therefore, ensures this Authority is implementing best practice in accordance with the Code.

# 2. Economics update

2.1 The third quarter of 2025/26 (October 2025 – December 2025) saw:

- a) A -0.1% m/m change in real Gross Domestic Product (GDP) in October 2025, leaving the economy no bigger than at the start of April 2025.
- b) The 3myy rate of average earnings growth excluding bonuses fall to 4.6% in October 2025, having been as high as 5.5% earlier in the financial year.
- c) Consumer Price Indexation (CPI) inflation fell sharply from 3.6% to 3.2% in November 2025, with core CPI inflation easing to 3.2%.
- d) The Bank of England cut interest rates from 4.00% to 3.75% in December 2025, after holding in November 2025.
- e) The 10-year gilt yield fluctuate between 4.4% and 4.7%, ending the quarter at 4.5%.

2.2 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 2025 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 (subsequently revised down to 0.2% q/q). Nonetheless, the 0.0% m/m change in real GDP in July 2025, followed by a 0.1% m/m increase in August 2025 and a 0.1% decrease in September 2025 will have caused some concern (0.1% q/q). October 2025's disappointing -0.1% m/m change in real GDP suggests that growth slowed to around 1.4% in 2025 as a whole.

2.3 Sticking with future economic sentiment, the composite Purchasing Manager Index (PMI) for the UK rose from 51.2 in November 2025 to 52.1 in December 2025, suggesting the economy may be benefitting somewhat from pre-Budget uncertainty fading. This may also reflect a diminishing drag from weak overseas demand. While the services PMI rose from 51.3 to 52.1, the improvement in the

manufacturing output balance from 50.3 to 51.8 was larger. Indeed, the manufacturing sector has been more exposed to the recent weakness of external demand and has lagged the services sector since the end of last year.

- 2.4 Turning to retail sales volumes, and the 1.5% year-on-year rise in September 2025, accelerating from a 0.7% increase in August 2025, marked the highest gain since April 2025. Nonetheless, the 0.1% m/m fall in retail sales volumes in November 2025 built on the 0.9% m/m drop in October 2025, suggesting the longer-lasting effects of weak employment and slowing wage growth are impacting. Moreover, the decline in the Growth from Knowledge (GfK) measure of consumer confidence from -17 in October 2025 to -19 in November 2025 suggests that consumers are not that optimistic at present.
- 2.5 Prior to the November 2025 Budget, the public finances position looked weak. The £20.2bn borrowed in September 2025 was slightly above the £20.1bn forecast by the Office for Budget Responsibility (OBR). For the year to date, the £99.8bn borrowed is the second highest for the April 2025 to September 2025 period since records began in 1993, surpassed only by borrowing during the COVID-19 pandemic. The main drivers of the increased borrowing were higher debt interest costs, rising government running costs, and increased inflation-linked benefit payments, which outweighed the rise in tax and National Insurance contributions (NICs).
- 2.6 Following the 26 November 2025 Budget, the OBR calculated the net tightening in fiscal policy as £11.7bn (0.3% of GDP) in 2029/30, smaller than the consensus forecast of £25bn. It did downgrade productivity growth by 0.3%, from 1.3% to 1.0%, but a lot of that influence was offset by upgrades to its near-term wage and inflation forecasts. Accordingly, the OBR judged the Chancellor was going to achieve her objectives with £4.2bn to spare. The Chancellor then chose to expand that headroom to £21.7bn, up from £9.9bn previously.
- 2.7 Moreover, the Chancellor also chose to raise spending by a net £11.3bn in 2029/30. To pay for that and the increase in her headroom, she raised taxes by £26.1bn in 2029/30. The biggest revenue-raisers were the freeze in income tax thresholds from 2028/29 (+£7.8bn) and the rise in NICs on salary-sacrifice pension contributions (+£4.8bn). The increase in council tax for properties worth more than £2.0m will generate £0.4bn.

- 2.8 After the Budget, public net sector borrowing of £11.7bn in November 2025 was comfortably below November 2024's figure of £13.6bn and was the lowest November borrowing figure since 2021, mainly due to tax receipts being £5.4bn higher, largely because of the hike in employer NICs in April 2025. Cumulative borrowing in the first eight months of 2025/26 was still £10bn above last year's total. However, lower inflation and a disposal of assets ahead of the Budget should mean borrowing in 2025/26 comes in below last year's total.
- 2.9 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, the 38,000 fall in payroll employment in November 2025 was the tenth monthly decline in the past 13 months, causing the annual growth rate to slow further, from -0.5% to -0.6%. The number of job vacancies in the three months to November 2025 stood at 729,000 (the peak was 1.3 million in spring 2022) but the less reliable Labour Force Survey data showed that employment fell by 16,000 in the three months to October 2025, with the unemployment rate rising further, from 5.0% to 5.1%. All this suggests the labour market continues to loosen, albeit at a slow pace.
- 2.10 A looser labour market is driving softer wage pressures. The 3myy growth rate of average earnings including bonuses eased from 4.9% in September 2025 to 4.7% in October 2025. And excluding bonuses, the 3myy rate slowed from 4.7% to 4.6%. Regular private sector pay growth continued to slow from 4.2% to 3.9%. That left it broadly on track to meet the Bank's end of December 2025 prediction of 3.5%.
- 2.11 CPI inflation fell sharply in November 2025, easing from 3.6% in October 2025 to 3.2%. This was the third consecutive softer-than-expected inflation outcome and suggests that disinflation is well underway. There was a widespread easing in price pressures with inflation slowing in 10 of the 12 main categories. Core inflation fell from 3.4% to 3.2% and services inflation dipped from 4.5% to 4.4%. However, a great deal will depend on the adjustments to regulated and indexed prices scheduled for April 2026. Capital Economics forecast CPI inflation to drop from 3.2% in March 2026 to 2.0% in April 2026, thereby leaving inflation on track to settle at the 2.0% target, or below, by the end of 2026.

- 2.12 An ever-present issue throughout recent 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 a high of c4.8%, before ending June 2025 at 4.50%.
- 2.13 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 kept yields elevated over 4.70% although, subsequently, gilt yields fell back after the Budget, supported by a tighter fiscal plan, fewer tax hikes required following a smaller-than-expected downgrade to the OBR's fiscal forecast, and a favourable shift in bond issuance away from long-dated debt. Gilt yields hovered around 4.5% at the end of the quarter.
- 2.14 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 ended June 2025 at 8,761, around 2% higher than its value at the end of March 2025 and more than 7% above its level at the start of 2025. Since then, the FTSE 100 has enjoyed a further significant jump in value. The stock market hit new record highs above 9,900 in Mid-November 2025, driven by a global rebound on hopes of a US government-shutdown resolution, expectations of a December 2025 rate-cut, and strong corporate earnings. Despite some jitters around Budget time, the FTSE 100 closed Q4 at 9,931, 5% higher than at the end of September 2025 and 22% higher since the start of 2025.

## **2.15 Monetary Policy Committee (MPC) meetings 8 May 2025, 19 June 2025, 7 August 2025, 18 September 2025, 6 November 2025, 18 December 2025**

- a) There were six MPC meetings held between April 2025 and December 2025. 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.
- b) 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 Monetary Policy Committee, 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 was wary of making any further rate cuts until inflation begins its slow downwards trajectory back towards 2%.
- c) 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 25bps reduction). Moreover, 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 suggested the Bank still thought interest rates will fall further.
- d) At the 6 November 2025 meeting, Governor Bailey was once again the deciding vote, keeping Bank Rate at 4% but hinting strongly that a further rate cut was imminent if data supported such a move. By 18 December 2025, with November 2025 CPI inflation having fallen to 3.2%, and with Q2 GDP revised down from 0.3% q/q to only 0.2% q/q, and Q3 GDP stalling at

0.1%, the MPC voted by 5-4 to cut rates further to 3.75%. However, Governor Bailey made it clear that any further reductions would require strong supporting data, and the pace of any further decreases would be slow compared to recent months. The markets expect Bank Rate to next be cut in April 2025.

### 3. Interest rate forecasts

3.1 The Authority has appointed Mitsubishi UFJ Financial Group (MUFG), as its treasury advisors and part of their service is to assist the Authority to formulate a view on interest rates. MUFG Corporate Markets provided the following forecasts and commentary on 22 December 2025. These are forecasts for Bank Rate, average earnings and Public Works Loan Board (PWLB) certainty rates, gilt yields plus 80 bps.

**MUFG Group Interest Rate View 22 December 2025**

	Mar 26	Jun 26	Sep 26	Dec 26	Mar 27	Jun 27	Sep 27	Dec 27	Mar 28	Jun 28	Sep 28	Dec 28	Mar 29
BANK RATE	3.75	3.50	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
3 month ave earnings	3.80	3.50	3.50	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30
6 month ave earnings	3.80	3.50	3.50	3.40	3.30	3.30	3.30	3.40	3.40	3.40	3.40	3.40	3.40
12 month ave earnings	3.90	3.60	3.60	3.50	3.40	3.50	3.50	3.50	3.50	3.50	3.60	3.60	3.60
5 yr PWLB	4.60	4.50	4.30	4.20	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10
10 yr PWLB	5.20	5.00	4.90	4.80	4.80	4.70	4.70	4.70	4.70	4.60	4.60	4.60	4.70
25 yr PWLB	5.80	5.70	5.60	5.50	5.50	5.40	5.30	5.30	5.30	5.20	5.20	5.20	5.20
50 yr PWLB	5.60	5.50	5.40	5.30	5.30	5.20	5.10	5.10	5.10	5.00	5.10	5.00	5.00

3.2 The last interest rate forecast update was undertaken on 11 August 2025. Since then, a combination of tepid growth (0.2% q/q GDP for Q2 and 0.1% q/q GDP for Q3), falling inflation (currently CPI is 3.2%), and a November 2025 Budget that will place more pressure on the majority of households' income, has provided an opportunity for the Bank of England's Monetary Policy Committee to further reduce Bank Rate from 4% to 3.75% on 18 December 2025.

3.3 Surprisingly, to most market commentators, the recent steep fall in CPI inflation in one month from 3.6% to 3.2% did not persuade most "dissenters" from the

November 2025 vote (Lombardelli, Greene, Mann and Pill) to switch to the rate-cutting side of the Committee. Instead, it was left to Bank Governor, Andrew Bailey, to use his deciding vote to force a rate cut through by the slimmest of margins, 5-4.

- 3.4 Given the wafer-thin majority for a rate cut it was not unexpected to hear that although rates would continue on a “gradual downward path”, suggesting a further rate cut or cuts in the offing, MPC members want to assess incoming evidence on labour market activity and wage growth. Indeed, with annual wage growth still over 4.5%, the MPC reiterated that the case for further rate cuts would be “a closer call”, and Governor Bailey observed there is “limited space as Bank Rate approaches a neutral level”.
- 3.5 Accordingly, the MUFG Corporate Markets forecast has been revised to price in a rate cut in Q2 2026 to 3.5%, likely to take place in the wake of a significant fall in the CPI inflation reading from 3% in March 2026 to 2% in April 2026 (as forecast by Capital Economics), followed by a short lull through the summer whilst more data is garnered, and then a further rate cut to 3.25% in Q4.
- 3.6 As in August 2025, nonetheless, threats to that central scenario abound. What if wage increases remain stubbornly high? There are, after all, several sectors of the domestic economy, including social care provision and the building/construction industries, where staff shortages remain severe. Moreover, by May 2026, following the local elections, we will have a better handle on whether or not the Starmer/ Reeves team is going to see out the current Parliament or whether they face a Leadership challenge from within their own party. If so, how will gilt markets react to these variables...and will there be additional geo-political factors to also bake in, particularly the Fed’s monetary policy decisions in 2026 and the ongoing battle to lower rates whilst inflation remains close to 3%.
- 3.7 Accordingly, the updated central forecast is made with several hefty caveats. MUFG are confident, as we have been for some time, that the forecast for Bank Rate and the 5-year PWLB Certainty Rate is robust, and they have marginally brought forward the timing of the next rate cut(s). But for the 10-, 25- and 50-years part of the curve, the level of gilt issuance, and the timing of its placement, will be integral to achieving a benign trading environment. That is not a “given”, and additionally, the inflation outlook and political factors domestically and, crucially, in the US, are also likely to hold sway. Matters should be clearer by

June 2026 in the UK, but the US mid-term elections are scheduled for November 2026.

3.8 The revised PWLB rate forecasts are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1 November 2012.

3.9 Money market yield forecasts are based on expected average earnings by local authorities for 3 to 12 months.

## **4. Annual Investment Strategy**

4.1 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

4.2 The Authority will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity, aligned with the Authority's risk appetite. In the current economic climate, over and above keeping investments short-term to cover cash flow needs, there is a benefit to seeking out value available in periods up to 12 months with high credit rated financial institutions, using the MUFGB Corporate Markets suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.

4.3 As shown by the charts below and the interest rate forecasts in section 3, investment rates have started to taper downwards during the final quarter of 2025 and are expected to fall back further if inflation falls through 2026 and the MPC loosens monetary policy further.

## **4.4 Creditworthiness**

4.4.1 There have been few changes to credit ratings over the quarter under review. However, officers continue to closely monitor these, and other measures of creditworthiness to ensure that only appropriate counterparties are considered for investment purposes.

## 4.5 Investment counterparty criteria

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

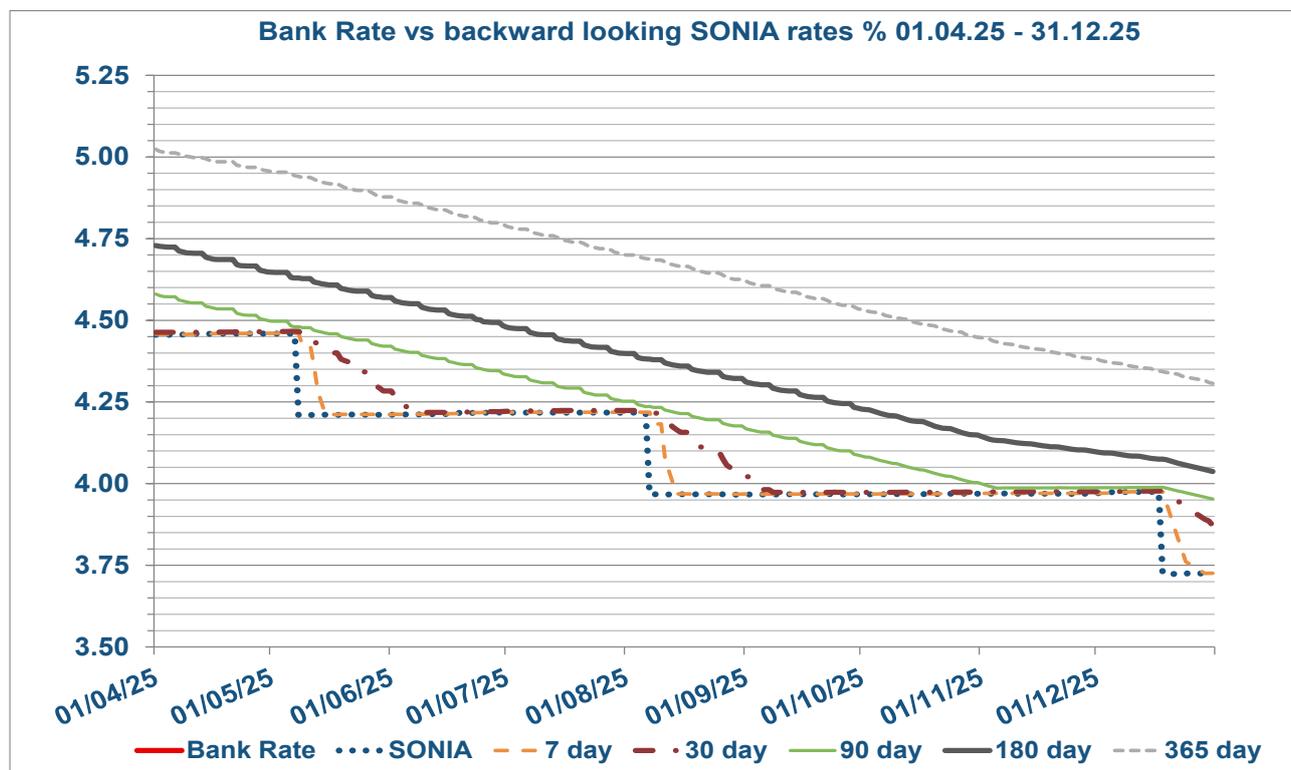
## 4.6 CDS prices

4.6.1 For UK and International banks, these have remained low, and prices are not misaligned with other creditworthiness indicators, such as credit ratings. Nevertheless, it remains important to undertake continual monitoring of all aspects of risk and return.

## 4.7 Investment balances

4.7.1 The average level of funds available for investment purposes during the quarter was £379m. 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.

## 4.8 Investment performance 01 April 2025 to 31 December 2025



	SONIA	7 day	30 day	90 day	180 day	365 day
<b>High</b>	4.46	4.46	4.47	4.58	4.73	5.02

	<b>SONIA</b>	<b>7 day</b>	<b>30 day</b>	<b>90 day</b>	<b>180 day</b>	<b>365 day</b>
<b>High Date</b>	7 May 2025	28 Apr 2025	06 May 2025	01 Apr 2025	01 Apr 2025	01 Apr 2025
<b>Low</b>	3.72	3.73	3.87	3.95	4.04	4.31
<b>Low Date</b>	22 Dec 2025	29 Dec 2025	31 Dec 2025	31 Dec 2025	31 Dec 2025	31 Dec 2025
<b>Average</b>	4.12	4.14	4.17	4.25	4.39	4.69
<b>Spread</b>	0.74	0.74	0.59	0.63	0.69	0.72

4.8.1 The Authority achieved an average rate of 4.23% which outperformed the average backward looking SONIA rate by 11 bps. The Authority's budgeted investment return for 2025/26 is £2.257m, performance for the year to date is £13.324m above budget.

## **4.9 Approved limits**

4.9.1 Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 31 December 2025.

4.9.2 A full list of investments held as of 31 December 2025 is in Appendix 2.

## **5. Borrowing**

5.1 No borrowing was undertaken during the quarter ended 31 December 2025, but it is anticipated that short term borrowing will be undertaken during this financial year.

### **5.2 PWLB maturity Certainty Rates 1 April to 31 December 2025**

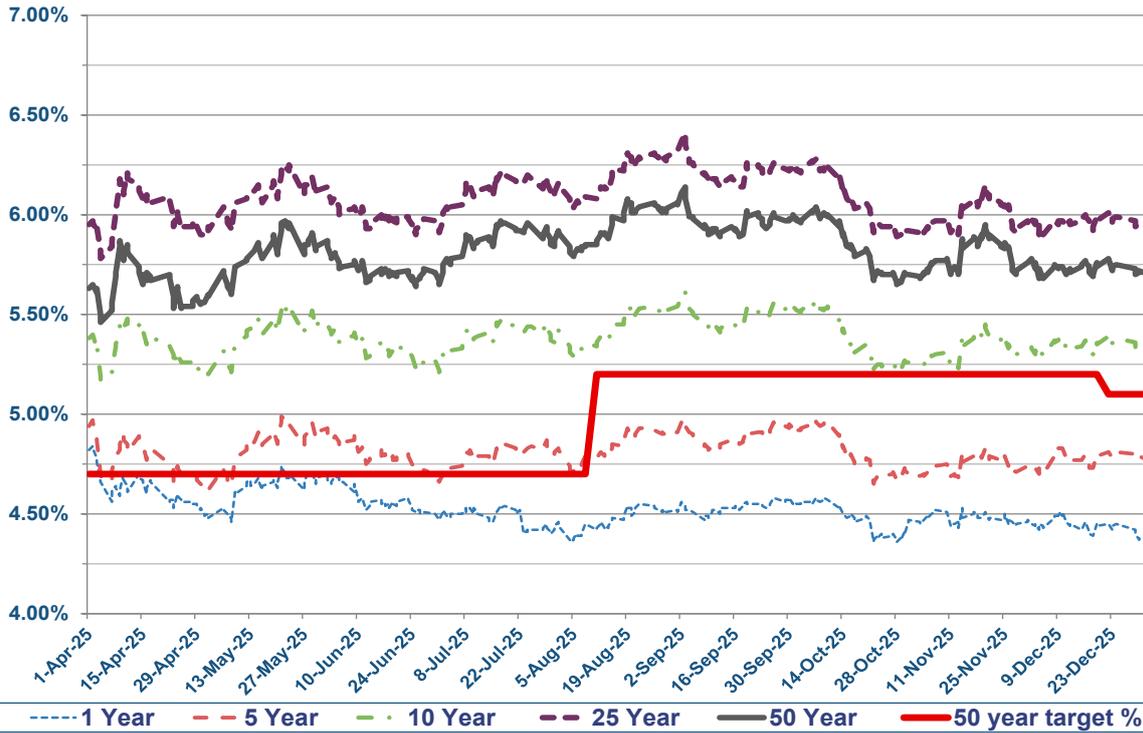
5.2.1 Overall, the journey for PWLB Certainty rates in 2025/26 has been somewhat circular, with the only net movement of substance over the nine months under review occurring at the shortest part of the curve. Nonetheless, there has been a degree of volatility driven by movements in US Treasuries as well as domestic factors, the most negative of which impacted markets in early September 2025.

5.2.2 Throughout the period under review, markets have reacted to Government fiscal messaging, yields rising when concerns emerged over the ability of the Government to keep net spending under control ahead of the 26 November 2025 Budget, and then easing back to rates similar to those at the start of the financial

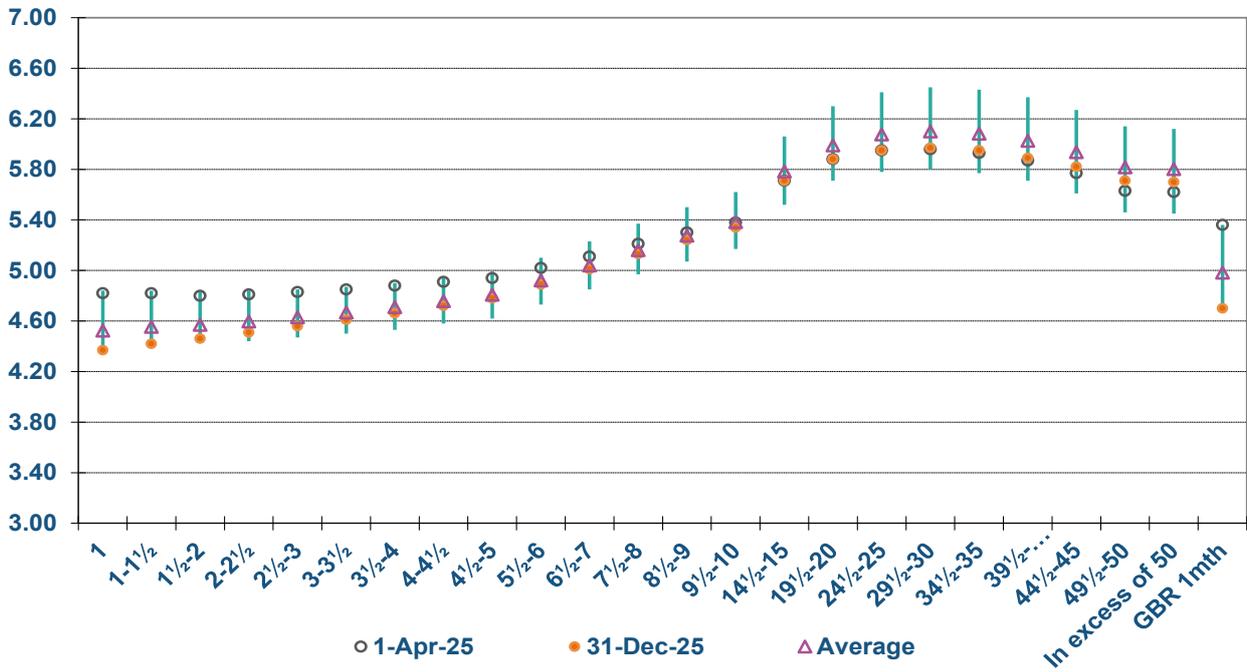
year once markets felt reassured by the steps the Chancellor had taken to manage public spending and to also bolster her fiscal headroom.

- 5.2.3 Accordingly, 1-year PWLB Certainty rates started the financial year at 4.82% and finished 2025 at 4.37%, whilst the 5-year part of the curve started at 4.94% and finished at 4.78%. Rates never got above 5% throughout the nine months under review.
- 5.2.4 It was a different story for the longer part of the curve, and in recent weeks the Debt Management Office has confirmed that it will seek to issue less gilts in the longer part of the curve and seek to focus on the short to medium part of the curve, where investors are more willing to purchase. That may alter in due course if the CPI measure of inflation falls to 2% by the spring of 2026, having been “sticky” at much higher levels for much of 2025.
- 5.2.5 10-year PWLB Certainty rates started April 2025 at 5.38% and finished 2025 at 5.34%. On 3 September 2025, rates hit a peak of 5.62%.
- 5.2.6 The story was repeated for the 25- and 50-year parts of the curve. 25-year PWLB Certainty rates started April 2025 at 5.95% and finished the year at the same level but touched a peak of 6.41% on 3 September 2025. While the 50-year Certainty rate started at 5.63% in April 2025 and finished the year at 5.71%, peaking at 6.14% also on 3 September 2025.

PWLB Rates 01.04.25 - 31.12.25



PWLB Certainty Rate Variations 01.04.25 to 31.12.25



High/ Low/ Average PWLB Rates for 1 April 2025 – 31 December 2025

	<b>1 Year</b>	<b>5 Year</b>	<b>10 Year</b>	<b>25 Year</b>	<b>50 Year</b>
<b>1 April 2025</b>	4.82%	4.94%	5.38%	5.95%	5.63%
<b>31 December 2025</b>	4.37%	4.78%	5.34%	5.95%	5.71%
<b>Low</b>	4.36%	4.62%	5.17%	5.78%	5.46%
<b>Low Date</b>	4 August 2025	2 May 2025	2 May 2025	4 April 2025	4 April 2025
<b>High</b>	4.84%	4.99%	5.62%	6.41%	6.14%
<b>High Date</b>	2 Apr 2025	21 May 2025	3 September 2025	3 September 2025	3 September 2025
<b>Average</b>	4.52%	4.81%	5.38%	6.08%	5.82%
<b>Spread</b>	0.48%	0.37%	0.45%	0.63%	0.68%

## 6. Debt rescheduling

6.1 Debt rescheduling opportunities have remained a possibility in the current quarter for those authorities with significant surplus cash and a flat or falling Capital Financing Requirement in future years. Members will be advised if there is value to be had by rescheduling or repaying a part of the debt portfolio.

## 7. Compliance with Treasury and Prudential Limits

7.1 The prudential and treasury Indicators are shown in Appendix 1.

7.2 It is a statutory duty for the Authority to determine and keep under review the affordable borrowing limits. During the quarter ended 31 December 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 Group Chief Financial Officer reports that no difficulties are envisaged for the current or future years in complying with these indicators.

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

## APPENDIX 1: Prudential and Treasury Indicators for 2025/26 as at 31 December 2025

<b>Treasury Indicators</b>	<b>2025/26 Budget</b>	<b>2025/26 Forecast</b>
Authorised limit for external debt	£2,747.568m	£2,782.474m
Operational boundary for external debt	£2,628.924m	£2,657.086m
Gross external debt as at 31 March 2026	£1,414.297m	£1,401.067m
Investments as at 31 March 2026	£50.000m	£50.000m
Net borrowing as at 31 March 2026	£1,364.297m	£1,343.567m

<b>Prudential Indicators</b>	<b>2025/26 Budget</b>	<b>2025/26 Forecast</b>
Capital expenditure	£636.317m	£615.014m
Capital Financing Requirement (CFR)	£2,471.749m	£2,507.753m
Annual change in CFR	£24.545m	£41.772m
In year borrowing requirement	£126.646m	£141.327m
Ratio of financing costs to net revenue stream	8.9%	7.7%

## APPENDIX 2: Investment Portfolio

Investments held as of 31 December 2025 compared to our counterparty list:

Institution	Instrument Type	Start	Maturity	Yield	Principal
Barclays Bank PLC (NRFB)	Call (Instant Access)			3.40%	£8,680,000
TfGM	Call (Instant Access)			0.00%	£105,121,000
Central Bedfordshire Council	Fixed Term Deposit	10/11/2025	12/01/2026	4.10%	£10,000,000
Central Bedfordshire Council	Fixed Term Deposit	14/11/2025	30/01/2026	4.10%	£10,000,000
Cornwall County Council	Fixed Term Deposit	17/12/2025	27/02/2026	4.10%	£10,000,000
Cornwall County Council	Fixed Term Deposit	19/12/2025	13/02/2026	4.10%	£20,000,000
Greater London Authority	Fixed Term Deposit	18/12/2025	06/01/2026	4.10%	£30,000,000
LB of Barking & Dagenham	Fixed Term Deposit	26/11/2025	02/02/2026	4.15%	£10,000,000
Luton Borough Council	Fixed Term Deposit	27/11/2025	27/01/2026	4.10%	£10,000,000
Oldham MBC	Fixed Term Deposit	08/12/2025	26/02/2026	4.05%	£10,000,000
Stirling Council	Fixed Term Deposit	15/12/2025	15/01/2026	4.15%	£5,000,000
Stockport MBC	Fixed Term Deposit	27/11/2025	27/01/2026	4.10%	£10,000,000
Stockport MBC	Fixed Term Deposit	19/12/2025	18/02/2026	4.10%	£10,000,000
Surrey County Council	Fixed Term Deposit	03/12/2024	05/01/2026	4.10%	£10,000,000
Surrey County Council	Fixed Term Deposit	17/11/2025	16/01/2026	4.10%	£10,000,000
<b>Banks and Local Authorities</b>					<b>£268,801,000</b>
MMF Aberdeen	Money Market Fund			3.91%	£24,950,000
MMF Aviva	Money Market Fund			3.93%	£50,000,000
MMF Federated Investors (UK)	Money Market Fund			3.92%	£50,000,000
<b>Money Market Funds</b>					<b>£124,950,000</b>
<b>Total</b>					<b>£393,751,000</b>

## **APPENDIX 3: Approved countries for investments as of 31 December 2025**

Based on lowest available rating

### **AAA**

- a) Australia
- b) Denmark
- c) Germany
- d) Netherlands
- e) Norway
- f) Singapore
- g) Sweden
- h) Switzerland

### **AA+**

- a) Canada
- b) U.S.A.

### **AA**

- a) Abu Dhabi (UAE)
- b) Finland
- c) Qatar

### **AA-**

- a) U.K.

### **A+**

- a) Belgium
- b) France