Classification: Open	**Decision Type:** Non-Key

Report to:	Cabinet and Overview and Scrutiny	**Date:** 09 September 2026
Subject:	2025/26 Treasury Management Outturn	
Report of	Cabinet Member for Finance and Transformation	

1 Summary

1.1 The report outlines the financial position and provides an update on the following aspects of the Treasury Management function throughout 2025/26.

The report covers:

- An economic update for 2025/26.
- An update of the Council's current treasury management position.
- Council Borrowing.
- Treasury Investment Activity.
- Non-Treasury Investments.
- Treasury Performance for 2025/26.
- Treasury Management Prudential Indicators.

1.2 The Council is required by legislation to produce an annual Treasury Management review of activities and the actual prudential and treasury indicators for the year. This report meets both the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

Recommendation(s)

1.3 Cabinet is recommended to:

- Note and approve for onward submission to Council on 16th September 2026, the:
    - Treasury Management 2025/26 Outturn Report.
    - 2025/26 Prudential and Treasury Indicators.

1.4 Council is asked to:

- Note the:
    - Treasury Management 2025/26 Outturn Report.
    - 2025/26 Prudential and Treasury Indicators.

Reasons for recommendation(s)

1.5 It is a requirement of the CIPFA Code that the Council receives an annual Treasury Management Outturn Report. It should be noted that the Council met all its Prudential Indicators relating to Treasury Management in financial year 2025/26.

Alternative options considered and rejected

1.6 Regular reporting to members on the Council's Treasury Management arrangements, controls and performance forms a key element of its overall governance and financial administration. Given this, no alternative options were considered when preparing this report.

2 Introduction

2.1 The Council has 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 Council to approve, as a minimum, treasury management semi-annual and annual outturn reports.

2.2 This report includes the requirement in the 2021 Code, mandatory from 1 April 2023, of reporting of the treasury management prudential indicators.

2.3 The Council's Treasury Management Strategy for 2025/26 was approved by Council at the Budget Council meeting on 19 February 2025, a further update to the Treasury Management Strategy was approved by Council on 25 February 2026.

2.4 The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's treasury management strategy.

3 Economic update for 2025/26

3.1 The financial year was largely dominated by two significant events that created uncertainty and volatility. The first being the US trade tariff in April 2025 and the second was the escalation of conflict involving the US/Israel and Iran at the end of February 2026.

3.2 After the initial fallout from US trade tariffs, the following months saw some improvements as equity markets made gains and bond yields eased modestly. However, in the UK this trend in bond yields reversed somewhat as an uncertain economic outlook together with concerns around the government's fiscal position and Autumn budget saw investors demanding a higher return for holding gilts for longer periods.

3.3 The UK Spring Budget delivered in March 2026 was deliberately lower key with no major tax changes and no big policy shifts. This helped UK markets perform better with gilt yield trending downwards, inflation easing and expectation for cut in the Bank of England interest rate. However, the outbreak of war between the US/Israel and Iran in late February 2026 drove sharp increases in oil and commodity prices due to disrupted shipping routes, leaving the global economic outlook highly uncertain, particularly regarding inflation and policy responses.

3.4 UK consumer prices inflation (CPI) was generally trending downward before the War, prior to the war was trending downwards, albeit the 3% in February 2026 remained unchanged from January. The core measure of CPI, i.e. excluding food and energy, also remained at 3.1%. Inflation was expected to fall further over the coming months to the Bank of England's 2% target. However, due to the impact of the war, inflation is now expected to rise again. The extent and the pace will depend largely on the duration of the war and how long commodity prices remain elevated.

3.5 The Office for National Statistics (ONS) reported that the UK economy grew by 0.1% in Q4 2025, following modest increases of 0.2% and 0.1% in Q3 with subsequent data showing that the GDP recorded no growth in January 2026. However, as these data precedes the onset of the US war with Iran the associated economic impact will only become evident in the future official releases by the ONS.

3.6 During financial year 2025/26 labour market figures were slightly better than expected, the general trend has been one of persistent weakness. In the three months to January 2026, the unemployment rate rose to 5.2% (from 5.1%), while the employment rate held at 75.1%. Despite inflation being expected to rise in the coming months, labour market conditions remain loose and so any upward pressure on wages from general inflation is likely to be tempered by the weaker labour market environment.

3.7 The Bank of England (BoE) reduced the Bank Rate from 4.00% to 3.75% in December 2025. In February 2026, BoE's Monetary Policy Committee (MPC) voted 5-4 to hold rates at 3.75%. In February 2026, the Monetary Policy Committee (MPC) voted narrowly (5–4) to maintain the rate at 3.75%, followed by a unanimous decision to hold rates again in March. Prior to the outbreak of the conflict in the Middle East, financial markets had anticipated a further reduction to 3.5% at the March meeting. However, the escalation of geopolitical tensions significantly altered expectations. The MPC highlighted increased uncertainty, noting risks to both inflation and economic growth, and indicated that future policy could involve either tightening or easing depending on evolving conditions. In response, financial markets rapidly adjusted their outlook by pricing in rate hikes.

3.8 Following the March MPC meeting, Arlingclose, the authority's treasury adviser, revised its central interest rate view and now predicts Bank Rate will be held at 3.75%. However, the conflict makes the outlook for rates highly uncertain. In the short-term the risks are to the upside with the chance of higher Bank Rate should the MPC decide it wishes to quickly quash potential second-round effects from higher inflation. Further out, if Bank Rate is hiked quickly, the pace and magnitude of subsequent cuts could take it far lower than was previously anticipated as policymakers add significant stimulus to a much weaker economic growth outlook.

3.9 The US Federal Reserve had been easing monetary policy over the period, lowering the target range for the federal funds rate by 0.25 percentage points to 3.50%–3.75% at its December meeting. At the three subsequent meetings, the Committee opted to hold rates within this range. Policymakers noted that, although inflation remained elevated, economic activity continued to expand. However, the outbreak of war with Iran introduced significant uncertainty regarding the future path of monetary policy. Despite this heightened uncertainty, the Federal Reserve continued to signal that further rate cuts were likely in 2026 and 2027.

3.10 The European Central Bank (ECB) has kept its key policy rates unchanged since June 2025, maintaining the deposit facility rate at 2.00% and the main refinancing rate at 2.15%. At its March 2026 meeting, the ECB emphasised that the conflict in the Middle East had substantially increased uncertainty. It highlighted the emergence of upside risks to inflation alongside downside risks to economic growth, prompting an upward revision to its inflation forecasts.

Financial markets

3.11 The financial market declined sharply in the financial year following the announcement of the US tariffs, sentiments in the financial markets had improved but the bond and equity market remained volatile throughout. However, the latter part of quarter 4 was dominated by the escalation of the US/Israel war with Iran which saw the equity market fall sharply, and bond yields rise because of the inflationary impact from higher oil and commodity prices outweighed the flight-to-quality into government bonds often see during conflicts.

3.12 Equity markets had been recovering following the declines seen during the April sell-off; however, the outbreak of war reversed this trend, leading to another sharp drawdown. Both the FTSE 100 and FTSE 250 fell by approximately 10% over the month from the onset of the conflict to the end of the financial year.

3.13 The period was also characterised by significant volatility in gilt yields. The 10-year UK benchmark gilt yield began the year at 4.65% and ended at 4.86%, having fallen to a low of 4.23% and risen to a high of 4.95% within the space of a month. A similar pattern was observed for the 20-year gilt, which started the year at 5.18% and ended at 5.45%, with yields ranging between 4.92% and 5.55%. The Sterling Overnight Index Average (SONIA) averaged 4.01% over the 12 months to 31 March.

Credit review

3.14 Arlingclose maintained its recommended maximum unsecured duration limit on most of the banks on its counterparty list at 6 months. The other banks remain on 100 days. 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.

3.15 Moody's affirmed OP Corporate's rating at Aa3 in May 2025. Later in the period, Moody's upgraded Transport for London, Allied Irish Banks, Bank of Ireland, Toronto-Dominion Bank, DZ Bank, Nordea and HSBC and downgraded Close Brothers. In the last quarter of 2025 S&P upgraded Clydesdale Bank, Allied Irish Banks and Bank of Ireland, and assigned Warrington Council a BBB+ rating.

3.16 After spiking in April 2025 following the US trade tariff announcements, UK credit default swap (CDS) prices had trended down before picking up modestly in October and November. After declining again in December and into the new calendar year, they rose sharply once again when the war in the Middle East started. They were still elevated at the end of the period, but prices for all banks on Arlingclose's counterparty list remained within limits deemed satisfactory for maintaining credit advice at current durations.

3.17 Overall, European banks' CDS prices have generally been flatter and lower compared to the UK, as have Singaporean and Australian lenders while some Canadian bank CDS prices have remained elevated since the beginning of the period in part due to ongoing trade tensions with the US.

3.18 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.

Capital Expenditure and Financing

3.19 The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

3.20 The actual capital expenditure in each financial year forms one of the required prudential indicators. The table below shows the actual expenditure and how this was financed.

Table 1 Capital Expenditure & Financing

Capital Expenditure & Financing	2024/25 Actual £m	2025/26 Budget (Feb 25) £m	2025/26 Revised Budget (Feb 26) £m	2025/26 Actual £m
Capital Expenditure:				
Non-HRA	£43.491	£91.214	£94.615	£81.240
HRA	£15.825	£29.522	£25.000	£19.174
Policy/Non-Financial Investments	£0.498	£0.000	£0.000	£0.000
Total Capital Expenditure	**£59.814**	**£120.736**	**£119.615**	**£100.413**
Resources:				
External Funding	£32.716	£52.048	£38.621	£33.528
Capital Receipts	£7.740	£9.864	£5.714	£9.554
HRA (DRF/MRR)	£7.401	£7.330	£8.988	£8.072
GF (RCCO)	£0.833	£0.014	£0.089	£0.010
Total Resourced by:	**£48.690**	**£69.256**	**£53.412**	**£51.164**
Financing Requirement	**£11.124**	**£51.480**	**£66.203**	**£49.249**

3.21 The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2025/26 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

3.22 Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies, (such as the Government, through the Public Works Loan Board [PWLB], or the money markets), or utilising temporary cash resources within the Council.

3.23 The Council's (non HRA) underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This is effectively a repayment of the non-Housing Revenue Account (HRA) borrowing need, (there is no statutory requirement to reduce the HRA CFR). This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

3.24 The total CFR can also be reduced by:

- The application of additional capital financing resources, (such as unapplied capital receipts); or
- Charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

The Council's 2025/26 MRP Policy, (as required by MHCLG Guidance), was approved as part of the Treasury Management Strategy Report for 2025/26 on 25 February 2025.

The Council's CFR for financial year 2025/26 is shown below and represents a key prudential indicator. It includes PFI and leasing schemes on the balance sheet, which increase the Council's borrowing need. No borrowing is actually required against these schemes as a borrowing facility is included in the contract (if applicable).

3.25 Borrowing activity is constrained by prudential indicators for gross borrowing and the CFR, and by the authorised limit.

Table 2 - Capital Financing Requirement

Capital Financing Requirement	2024/25 Actual £m	2025/26 Budget (Feb 25) £m	2025/26 Revised Budget (Feb 26) £m	2025/26 Actual £m
CFR – Non HRA	£203.941	£257.725	£256.449	£244.564
CFR – HRA	£121.414	£133.974	£132.024	£127.324
CFR – Policy/Non-Financial Investments	£66.044	£63.432	£65.683	£65.683
CFR - Other Debt Liabilities	£11.173	£0.000	£9.958	£9.958
TOTAL CFR	**£402.572**	**£455.131**	**£464.114**	**£447.529**
Financing Requirement	£11.123	£51.481	£66.203	£49.320
MRP	(£4.070)	(£3.672)	(£3.447)	(£4.363)
Other Debt Liabilities Movements	£0.000	£0.000	(£1.215)	£0.000
Movement in CFR	**£7.053**	**£47.809**	**£61.541**	**£44.957**

3.26 Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the current financial year 2025/26 and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure.

3.27 The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator. This indicator shows that the Council had some flexibility to borrow in advance of its immediate Capital needs.

Table 3 - Actual Borrowing Compared to the CFR

Description	2024/25 Actual £m	2025/26 Budget (Feb 25) £m	2025/26 Revised Budget (Feb 26) £m	2025/26 Actual £m
Gross Borrowing Position	£295.266	£373.749	£370.498	£365.671
CFR	£402.572	£455.131	£464.114	£447.529
(Under) / Over Funding of CFR	**(£107.306)**	**(£81.382)**	**(£93.616)**	**(£81.858)**

4 Treasury Position as at 31 March 2026

4.1 The treasury management position as at 31 March 2026 and the change during the year is shown in the table below:

Table 4 -Treasury Position as at 31 March 2026

Treasury Management Position	31-Mar-2025 Balance £m	Raised / Invested £m	Repaid / Realised £m	31-Mar-2026 Balance £m	Average Rate %
Borrowing					
PWLB	£247.266	£128.239	(£71.834)	£303.671	3.50%
LOBOs	£13.000	£0.000	(£8.000)	£5.000	4.18%
Banks-Fixed	£5.000	£0.000	(£5.000)	£0.000	3.30%
Local Authorities	£30.000	£63.500	(£36.500)	£57.000	3.25%
Total Borrowing	**£295.266**	**£191.739**	**(£121.334)**	**£365.671**	
Investments					
Cash and Cash Equivalents	£20.700	£841.376	(£847.458)	£14.618	3.64%
Total Investments	**£20.700**	**£841.376**	**(£847.458)**	**£14.618**	
Net Borrowing	**£274.566**	**(£649.637)**	**£726.124**	**£351.053**	

4.2 The maturity structure of the debt portfolio was as follows:

Table 5 Maturity structure of fixed rate borrowing

Maturity structure of fixed rate borrowing	2024/25 Actual £m	2024/25 Actual %	2025/26 Actual £m	2025/26 Actual %
Under 12 months	£24.868	8.42%	£64.072	17.52%
12 months and within 24 months	£30.423	10.30%	£50.522	13.82%
24 months and within 5 years	£29.650	10.04%	£65.567	17.93%
5 years and within 10 years	£80.526	27.27%	£111.987	30.63%
10 years and Over	£129.800	43.96%	£73.521	20.11%
Total Debt	**£295.266**	**100.00%**	**£365.671**	**100.00%**

4.3 The Council's investment portfolio was as shown below:

Table 6 Investment Portfolio Description

Investment Portfolio Description	31-Mar-2025 Investment Balance £m	Amount Invested In-year £m	Investments Realised In-year £m	31-Mar-2026 Investment Balance £m
Notice Accounts				
Barclays Bank - 32-day Notice account	£0.000	£0.000	£0.000	£0.000
Barclays Bank - 95-day Notice account	£0.000	£0.000	£0.000	£0.000
Total Notice Accounts	**£0.000**	**£0.000**	**£0.000**	**£0.000**
Call Accounts				
Barclays Bank - Flexible Interest-Bearing Current Account	£0.330	£77.081	(£77.411)	£0.000
Bank of Scotland - Call Account	£10.370	£222.828	(£228.960)	£4.238
DMADF New Fixed Deposit account	£0.000	£516.467	(£506.087)	£10.380
Total Call Accounts	**£10.700**	**£816.376**	**(£812.458)**	**£14.618**

Short Term Investments				
Local Authorities	£10.000	£25.000	(£35.000)	£0.000
Total Short-Term Investments	**£10.000**	**£25.000**	**(£35.000)**	**£0.000**
Total Investments	**£20.700**	**£841.376**	**(£847.458)**	**£14.618**

4.4 All the Council's short-term investments are held for a period of up to 1 year.

5 Investment and Borrowing Strategy

5.1 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 lead to new borrowing, unless directly and primarily related to the functions of the Council. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes.

5.2 Bury MBC has not invested in assets primarily for financial return or that are not primarily related to the functions of the Council. It has no plans to do so in future.

5.3 The main objective when borrowing has been to strike an appropriately low 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 Council's long-term plans change being a secondary objective. The Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

5.4 Interest rates have seen substantial rises since 2021, many central banks have now begun to reduce their policy rates slowly. During 2025/26 Gilt yields slightly decreased, reflecting expectations of lower interest rates, a tepid economy and to some extent an improvement in the UK governments fiscal position following tax rises in the autumn budget. Subsequent to the war in the Middle East however, gilt yields saw a rapid rise to above the yield at the beginning of the financial year.

5.5 The PWLB certainty rates for maturity loans are detailed below: -

Table 7 - PWLB BORROWING RATES AT YEAR END

Loan Term	31 March 2025	31 March 2026
10-Year Rate	5.62%	5.92%
20-Year Rate	6.11%	6.43%
50-Year Rate	5.87%	6.28%

5.6 The cost of short-term borrowing from other local authorities has generally decreased with Base Rate over the year. Interest rates averaged at around 4.45% in 2025/26.

5.7 The PWLB HRA rate, introduced on 15 June 2023, provides borrowing at a margin of 40 basis points below the Certainty Rate. This concessionary rate is available to support local authority borrowing within the Housing Revenue Account, including both new housing delivery and the refinancing of existing HRA debt. The Government has subsequently extended the availability of this preferential rate, which is currently confirmed through to March 2027, thereby providing continued support and greater certainty for HRA borrowing strategies.

5.8 As of 31st March 2026, the Council held £365.673m of loans, an increase of £70.404m on the previous year as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 31 March are summarised in 5.1 and 5.2 above.

6 Borrowing and Investment Outturn

Borrowing movement in-year

6.1 On 1 April 2025 the Council held £13m 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.

6.2 As market interest rates increased, the call option on one of the Council's LOBO loans (Dexia) was exercised during 2025/26. This resulted in the repayment of £8m, which was funded through the Council's internally managed cash balances rather than through new external borrowing.

6.3 Following advice from the Councils Treasury Adviser (Arlingclose), the Council rescheduled several PWLB loans in November 2025. The rescheduling enabled the Council to take advantage of discounts available for early repayments of selected loans. Replacement loans were then taken out where appropriate. This approach has resulted in an overall improvement in the Authority's borrowing position with an overall discount achieved of £13.61m which will be recognised annually over the next 10 years. The savings recognised in 2025/26 equates to £1.361m.

Treasury Investment Activity

6.4 The CIPFA Treasury Management Code defines treasury management investments as those investments which arise from the Council's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use during business.

6.5 As of 31 March 2026, the council held £14.618m of invested funds, representing income received in advance of expenditure plus balances and reserves held.

6.6 Both the CIPFA Code and government guidance require the Council 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 Council'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.

6.7 As demonstrated by the liability benchmark in this report, the Council 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.

6.8 Bank Rate decreased by 0.75% over the period, from 4.50% at the beginning of April 2025 to 3.75% by the end March 2026.

6.9 The PWLB certainty rate for 10-year maturity loans was 5.38% at the beginning of the period and 5.72% at the end. The lowest available 10-year maturity certainty rate was 5.13% and the highest was 5.88%. Rates for 20-year maturity loans ranged from 5.71% to 6.37% during the period, and 50-year maturity loans from 5.46% to 6.24%. The cost of short-term borrowing from other local authorities has been similar to or a little above Base Rate for most of the period, with interest rates between 4.0% and 4.5%. However, as is commonly seen, rates rose higher towards the end of the financial year, with rates of 5.0% - 7.0% being seen.

6.10 Financial market sentiment was reasonably positive over most of the 2025/26 financial year, but economic, financial and geopolitical issues meant the trend of market volatility remained. The period was effectively bookended by market disruption associated with US trade and foreign policy, initially following the announcement of US 'Liberation Day' tariffs in April 2025 and then, towards the year end, by the escalation of the US and Israel conflict with Iran in March 2026. Between these two episodes, market sentiment improved as inflation generally eased and expectations for further interest rate cuts increased, supporting both bond and equity markets.

6.11 For much of the year, the backdrop for government bonds became more constructive than had been the case in recent years. In the UK in particular, falling inflation and growing expectations of further Bank of England rate cuts supported sentiment, although yields remained volatile as investors also had to contend with fiscal concerns and an uncertain economic outlook. As a result, income returns remained attractive, while capital values were more variable. By the final quarter, however, the rise in oil and other commodity prices caused by the conflict with Iran raised concerns that inflation could move higher again and that further monetary easing could be delayed or even reversed, leading to renewed pressure on bond markets.

6.12 Equity markets also recovered well from the tariff-related weakness seen early in the financial year, supported by improving sentiment around inflation and interest rates, resilient corporate earnings and continued enthusiasm for artificial intelligence-related investment. AI remained a dominant theme in global equity markets throughout the year, although there was also concern that valuations in parts of the market had become too stretched and that an AI-driven bubble could unwind. Despite these concerns, equity markets generally made gains through much of the period before the deterioration in sentiment at the year-end as geopolitical risks intensified. For strategic pooled investments, this meant capital values were supported for much of the year, while income distributions continued to provide an important component of total return.

6.13 UK commercial property experienced a more stable backdrop than in the most difficult period following the sharp rise in yields in 2022 and 2023. Lower interest rate expectations and a firmer tone in markets for much of the year helped support valuations, although capital values were broadly flat overall. Income remained the main driver of returns, with rental income providing a relatively resilient contribution. However, as with other asset classes, the environment became more uncertain towards the end of the period.

7 Non-Treasury Investments

7.1 The definition of investments in the Treasury Management Code covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).

7.2 Investment Guidance issued by the Ministry of Housing, Communities & Local Government (MHCLG) also includes within the definition of investments all such assets held partially or wholly for financial return.

7.3 The Council holds the following non-treasury investments as at the 31 March 2026:

Table 8 Non-Financial Investments

Non-Financial Investments	**2024/25 £m**	**2025/26 £m**
Manchester Airport Equity	£5.610	£5.610
Manchester Airport Loan	£29.366	£29.366
Manchester Airport Loan Interest	£8.262	£7.127
Bury MBC Townside Fields Loan	£7.257	£7.257
Six Town Housing Loan	£2.797	£2.621
Bury Bruntwood (Millgate) LLP Loan	£20.349	£20.349

The Prestwich Regeneration (LLP) Loan	£1.127	£1.127
Debt Managed for Probation Services	£0.011	£0.011
Other loan Accounts	£0.060	£0.057
Capital Debtors	£3.507	£3.507
Total	**£78.346**	**£77.032**

8 Treasury Performance for 2025/26

8.1 The Council 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.

MRP Regulations

8.2 On 10 April 2024 amended legislation and revised statutory guidance were published on Minimum Revenue Provision (MRP). The majority of the changes first took effect from the 2025/26 financial year, although there is a requirement that for capital loans given on or after 7th May 2024 sufficient MRP must be charged so that the outstanding CFR in respect of the loan is no higher than the principal outstanding less the Expected Credit Loss (ECL) charge for that loan.

8.3 The regulations also require that local authorities cannot exclude any amount of their CFR from their MRP calculation unless by an exception set out in law. Capital receipts cannot be used to directly replace, in whole or part, the prudent charge to revenue for MRP (there are specific exceptions for capital loans and leased assets).

Compliance

8.4 All treasury management activities undertaken during the year complied fully with the principles in the Treasury Management Code and the Council's approved Treasury Management Strategy Compliance with specific investment limits is displayed in table 9 below.

Table 9 Investment Limits

Investment Limits	31-Mar-2026 Actual £m	2025-26 Limit £m	Complied? Yes/No
UK Government	£10.380	Unlimited	Yes
UK Local Authorities & Other Government Entities – except Local Authorities subject to a Section 114 notice	£0.000	£20.000	Yes
UK Banks (Unsecured)	£4.238	£25.000	Yes

UK Building Societies (Unsecured)	£0.000	£20.000	Yes
Registered Providers (Unsecured)	£0.000	£20.000	Yes
Total	**£14.618**		

8.5 Compliance with the Authorised Limit and Operational Boundary for external debt is demonstrated in table 10 below.

Table 10 Debt and the Authorised Limit and Operational Boundary

Debt and the Authorised Limit and Operational Boundary	Maximum Borrowing during 2025/26 £m	31-Mar-2026 Actual Borrowing £m	2025/26 Operational Boundary £m	2025/26 Authorised Limit £m	Complied? Yes/No
Borrowing	£403.820	£369.802	£464.113	£475.113	Yes

8.6 The operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached. 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. The authorised limit is the “affordable borrowing limit” required by section 3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. Table 10 above demonstrates that during 2025/26 the Council has maintained gross borrowing within its authorised limit.

Table 11 - Ratio of Financing Costs to Net Revenue Stream

Financing costs as a proportion of net revenue stream	2024-25 Actual %	2025/26 Budget (Feb 25) %	2025/26 Revised Budget (Feb 26) %	2025-26 Actual %
Non - HRA	1.08%	3.58%	3.97%	2.41%
HRA	11.22%	13.66%	9.06%	9.99%

8.7 This indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream.

Treasury Management Prudential Indicators

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

Liability Benchmark

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

Table 12 - Liability Benchmark

	31-Mar-2025 Actual £m	31-Mar-2026 Actual £m	31-Mar-2027 Forecast £m	31-Mar-2028 Forecast £m
Loans CFR	£426.300	£437.200	£472.500	£481.100
Less: Balance sheet resources	(£96.600)	(£86.100)	(£86.100)	(£86.100)
Net loans requirement	**£329.700**	**£351.100**	**£386.400**	**£395.000**
Plus: Liquidity allowance	£20.000	£10.000	£10.000	£10.000
Liability benchmark	**£349.700**	**£361.100**	**£396.400**	**£405.000**
Existing borrowing	**£295.266**	**£365.671**	**£371.369**	**£379.114**

8.10 Compared with the Liability Benchmark included in the 2025/26 Treasury Strategy, the updated position as at 31 March 2026 shows an increasing borrowing need across the planning period (albeit phased differently to the original forecast for 31/03/26 and 31/03/27 which was £466m and £462m respectively). This increasing Loans CFR requirement reflects a continued reliance on borrowing to help fund capital expenditure,

8.11 Chart 1 below shows that the Liability Benchmark is forecast to decline steadily from £361.100m in 2026 to nil by 2068, reflecting the repayment of existing debt. The benchmark remains below the Capital Financing Requirement (CFR) throughout the period, demonstrating that borrowing is being managed within the Council's long-term financing needs.

Chart 1 Liability Benchmark

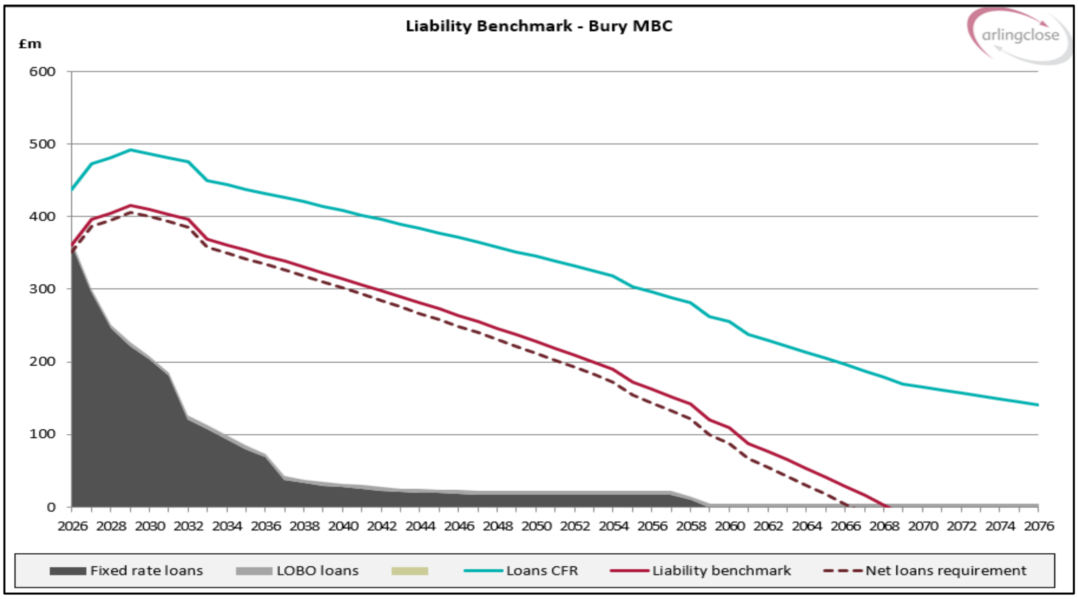

Chart Key:

Fixed rate loans - The grey shaded area represents the Council's existing loans and shows their current maturity profile.

Loans CFR - The blue line is calculated in accordance with the loans CFR definition in the Prudential Code and represents the Council's underlying need to borrow for capital spending that has not yet been financed by other means.

Net Loans Requirement - The dotted red line is based upon the CFR but factors in other balance sheet resources, such as cash-backed reserves and working capital. These balances improve the Council's cash position and enable it to maintain an under-borrowed position by not externally borrowing up to the full CFR, thus saving on interest costs. Should these resources decrease (for example if reserves are used up) then this line will be raised closer to the loans CFR suggesting that more borrowing is needed.

Liability Benchmark - The solid red line is the Council's net loans requirement plus short-term liquidity allowance (a notional buffer of £10m) for cashflow purposes. This is the level of borrowing the Council will need in order to maintain this desired cash position.

8.12 Interest Rate Exposures: This indicator is set to control the Council's exposure to interest rate risk. Bank Rate remained unchanged at 4.50% throughout 2025/26, having been reduced from 5.25% to 4.50% during 2024/25. Despite the stable Bank Rate, PWLB borrowing rates increased across most maturities during the year, reflecting movements in gilt yields and market expectations for inflation and longer-term interest rates.

Table 13 - Interest Rate Risk Indicator

Interest rate risk indicator	2025/26 Target £m	31-Mar-2026 Actual £m	Complied?
Upper limit on one-year revenue impact of a 1% rise in interest rates	£0.21	£0.16	Yes
Upper limit on one-year revenue impact of a 1% fall in interest rates	(£0.21)	(£0.16)	Yes

8.13 The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at new market rates.

8.14 For context, the changes in interest rates during the year are detailed below:

Table 14- Changes in interest rates during the year

Rate Description	31-Mar-25	31-Mar-26	Change
Bank Rate	4.50%	3.75%	(0.75%)
1-year PWLB certainty rate, maturity loans	5.02%	5.24%	0.22%
5-year PWLB certainty rate, maturity loans	5.17%	5.48%	0.31%
10-year PWLB certainty rate, maturity loans	5.62%	5.92%	0.30%
20-year PWLB certainty rate, maturity loans	6.11%	6.43%	0.32%
50-year PWLB certainty rate, maturity loans	5.87%	6.28%	0.41%

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Links with the Corporate Priorities:

Treasury Management forms a key part of the council's overall governance and financial administration and control framework, which underpin the council's three clear corporate priorities as set out in the Let's Do It Strategy that will deliver financial sustainability for the Council.

Equality Impact and Considerations:

n/a

Environmental Impact and Considerations:

n/a

Assessment and Mitigation of Risk:

Risk / opportunity	Mitigation
There are considerable risks to the security of the Council's resources if appropriate treasury management strategies and policies are not adopted and followed.	Regular monitoring and reporting ensure that any changes in the financial position are quickly identified, and action can be taken to manage the overall position.

Legal Implications:

Treasury management is a matter reserved for Council, requiring Council approval. The Local Government Act 2003 mandates an annual review of treasury management activities. This report aligns to the CIPFA Treasury management codes. This report updates Cabinet in line with the Council's financial regulations and constitution.

Financial Implications:

The financial implications are set out in the report and confirm the treasury management activities have been carried out in accordance with approved limits.

Appendices:

None

Background papers:

- Capital Strategy and Capital Programme 2025/26 – 2027/28
- Treasury Management Outturn Report 2024/25
- Treasury Management Strategy and Prudential Indicators 2025/26

Please include a glossary of terms, abbreviations and acronyms used in this report.

Term	Meaning
Authorised Limit	The maximum amount of debt that a local authority may legally hold, set annually in advance by the authority itself. One of the Prudential Indicators.
Bank	Regulated firm that provides financial services to customers. But see also Bank of England.
Bank of England	The central bank of the UK, based in London, sometimes just called "the Bank". See also Monetary Policy Committee and PRA.

Bank Rate	The official interest rate set by the Monetary Policy Committee, and the rate of interest paid by the Bank of England on commercial bank deposits. Colloquially termed the “base rate”.
Borrowing	Usually refers to the stock of outstanding loans owed and bonds issued.
Call account	A deposit account that can be called back, normally on instant access.
Capital expenditure	Expenditure on the acquisition, creation or enhancement of fixed assets that are expected to provide value for longer than one year, such as property and equipment, plus expenditure defined as capital in legislation such as the purchase of certain investments.
Capital finance	Arranging and managing the cash required to finance capital expenditure, and the associated accounting.
Capital finance regulations	Legislation covering local authorities’ activities in capital finance, treasury management and accounting. Separate regulations are published for the four nations of the UK.
Capital financing requirement (CFR)	A local authority’s underlying need to hold debt for capital purposes, representing the cumulative capital expenditure that has been incurred but not yet financed. The CFR increases with capital expenditure and decreases with capital finance and MRP.
Capital receipt	Cash obtained from the sale of an item whose purchase would be capital expenditure. The law only allows local authorities to spend capital receipts on certain items, such as new capital expenditure. They are therefore held in a capital receipts reserve until spent.
Capital strategy	An annual report required by the Prudential Code that sets out a local authorities’ high-level plans for capital expenditure, debt and investments and its Prudential Indicators for the forthcoming financial year.
Certainty rate	Discount on PWLB rates for new loans borrowed, available to all local authorities that provide a forecast for their borrowing requirements.
Counterparty	The other party to a loan, investment or other contract.
Counterparty limit	The maximum amount an investor is willing to lend to a counterparty, in order to manage credit risk.
CPI	Consumer Price Index - the measure of inflation targeted by the Monetary Policy Committee, measured on a harmonised basis across the European Union. See also RPI.

Credit risk	The risk that a counterparty will default on its financial obligations.
Debt	(1) A contract where one party owes money to another party, such as a loan, deposit or bond. Contrast with equity. (2) In the Prudential Code, the total outstanding borrowing plus other long term liabilities.
Default	Failure to meet an obligation under a debt contract, including the repayment of cash or compliance with a covenant, usually as a result of being in financial difficulty (rather than an administrative oversight).
Deposit	A regulated placing of cash with a financial institution. Deposits are not tradable on financial markets.
DMADF	Debt Management Account Deposit Facility – a facility offered by the DMO enabling local authorities to deposit cash at very low credit risk. Not available in Northern Ireland.
DMO	Debt Management Office – an executive agency of HM Treasury that deals with central government's debt and investments.
EIP	Equal instalments of principal. A method of repaying a loan where the principal is repaid over the life of the loan, in equal instalments. Interest payments reduce over time as the principal is repaid.
Federal Reserve	The central bank of the USA, often just called "the Fed".
Fiscal policy	Measures taken by government to boost or slow the economy via taxation and spending decisions. Fiscal loosening or easing refers to cuts in taxes or increases in spending, while fiscal tightening refers to the opposite. See also monetary policy.
Financial institution	A bank, building society or credit union. Sometimes the term also includes insurance companies.
Financial instrument	IFRS term for investments, borrowing and other cash payable and receivable.
Financing costs	In the Prudential Code, interest payable on debt less investment income plus premiums less discounts plus MRP.
GDP	Gross domestic product – the value of the national aggregate production of goods and services in the economy. Increasing GDP is known as economic growth.
General Fund	A local authority reserve that holds the accumulated surplus or deficit on revenue income and expenditure, except on council housing. See also Housing Revenue Account.

Gilt	Bond issued by the UK Government, taking its name from the gilt-edged paper they were originally printed on.
Gilt yield	Yield on gilts. Commonly used as a measure of risk-free long-term interest rates in the UK.
IFRS	International Financial Reporting Standards, the set of accounting rules in use by UK local authorities since 2010.
Interest	Compensation for the use of cash paid by borrowers to lenders on debt instruments.
Internal borrowing	A local government term for when actual “external” debt is below the capital financing requirement, indicating that difference has been borrowed from internal resources instead; in reality this is not a form of borrowing.
Investment guidance	Statutory guidance issued by MHCLG and the devolved governments on local government investments. Local authorities are required by law to have regard to the relevant investment guidance.
Investment strategy	A document required by investment guidance that sets out a local authority’s investment plans and parameters for the coming year. Sometimes forms part of the authority’s treasury management strategy.
Liability benchmark	Term in CIPFA’s Risk Management Toolkit which refers to the minimum amount of borrowing required to keep investments at a minimum liquidity level. Used to compare against the actual and forecast level of borrowing.
Liquidity risk	The risk that cash will not be available to meet financial obligations, for example when investments cannot be recalled and new loans cannot be borrowed.
Loan	Contract where the lender provides a sum of money (the principal) to a borrower, who agrees to repay it in the future together with interest. Loans are not normally tradable on financial markets. There are specific definitions in government investment guidance.
Loans CFR	The capital financing requirement less the amount met by other long-term liabilities; i.e. the amount to be met by borrowing.
LOBO	Lender’s option borrower’s option – a long-term loan where the lender has the option to propose an increase in the interest rate on pre-determined dates. The borrower then has the option to either accept the new rate or repay the loan without penalty. LOBOs increase the borrower’s interest rate

	risk and the loan should therefore attract a lower rate of interest initially.
Long-term	Usually means longer than one year.
Maturity	(1) The date when an investment or borrowing is scheduled to be repaid. (2) A type of loan where the principal is only repaid on the maturity date.
Maturity profile	A table or graph showing the amount (or percentage) of debt or investments maturing over a time period.
MHCLG	Ministry of Housing, Communities and Local Government – the central government department that oversees local authorities in England.
Monetary policy	Measures taken by central banks to boost or slow the economy, usually via changes in interest rates. Monetary easing refers to cuts in interest rates, making it cheaper for households and businesses to borrow and hence spend more, boosting the economy, while monetary tightening refers to the opposite. See also fiscal policy and quantitative easing.
Monetary Policy Committee (MPC)	Committee of the Bank of England responsible for implementing monetary policy in the UK by changing Bank Rate and quantitative easing with the aim of keeping CPI inflation at around 2%.
MRP	Minimum revenue provision - an annual amount that local authorities are required to set aside and charge to revenue for the repayment of debt associated with capital expenditure. Local authorities are required by law to have regard to government guidance on MRP.
Net borrowing	Borrowing minus treasury investments.
Net revenue stream	In the Prudential Code, income from general government grants, Council Tax and rates.
Notice account	A deposit account where the cash can be called back after a given notice period.
Non-specified investments	Government term for investments not meeting the definition of a specified investment or a loan upon which limits must be set. Since 2018, the term does not apply to treasury investments in England.
Other long-term liabilities	Prudential Code term for credit arrangements.
Operational boundary	A prudential indicator showing the most likely, prudent, estimated level of external debt, but not the worst-case scenario. Regular breaches of the operational boundary should prompt management action.
Present value	The value today of a series of future cash flows, calculated using a discount rate.
Principal	The amount of money originally lent on a debt instrument.

Professional client	MiFID II term for a client of a regulated firm that has a higher level of experience in financial markets than a retail client and therefore needs a lower level of protection. Local authorities may “opt up” to be treated as professional clients if they meet certain requirements.
Prudential borrowing	Another term for unsupported borrowing.
Prudential Code	Developed by CIPFA and introduced in April 2004 as a professional code of practice to support local authority capital investment planning within a clear, affordable, prudent and sustainable framework and in accordance with good professional practice. Local authorities are required by law to have regard to the Prudential Code.
Prudential indicators	Indicators required by the Prudential Code and determined by the local authority to define its capital expenditure and asset management framework. They are designed to support and record local decision making in a manner that is publicly accountable.
PWLB	Public Works Loans Board - a statutory body operating within the DMO that lends money from the National Loans Fund to local authorities and other prescribed bodies and collects the repayments. Not available in Northern Ireland.
Retail client	MiFID II term for a client of a regulated firm that has the lowest level of experience in financial markets and therefore needs the highest level of protection. Local authorities are initially classed as retail clients but may “opt up” to be treated as professional clients.
Revenue expenditure	Expenditure to meet the ongoing cost of delivering public services including salaries and the purchase of goods and services, as opposed to capital expenditure.
RPI	Retail prices index - an older measure of inflation that tracks the prices of goods and services including mortgage interest and rent. Index-linked gilts are uprated using RPI. See also CPI.
Sector limit	The maximum amount an investor is willing to lend to all counterparties in a particular industry sector, in order to manage credit risk.
Short-term	Usually means less than one year.
Specified investments	Term used in government investment guidance for investments that are denominated in sterling, mature in less than a year, are not defined as capital expenditure, and are made with the UK government, another UK local authority or a high credit quality body, as defined by the local authority. Since 2018,

	the term does not apply to treasury investments in England. Not applicable in Scotland. In Wales, loans to local authorities are specified investments even if they do not fully meet the criteria.
State aid	Financial assistance provided by the public sector to the private sector, such as grants and soft loans, which has the potential to distort competition and is therefore often, but not always, illegal.
Supported borrowing	Borrowing for which the repayment costs are supported by government grant.
Temporary borrowing	Borrowing with a term of less than one year.
Term deposit	A deposit that is repayable after a fixed period of time.
Treasury investments	Investments made for treasury management purposes, as opposed to commercial investments and service investments.
Treasury management	The management of an organisation's cash flows, investment and borrowing, with a particular focus on the identification, control and management of risk. Specifically excludes the management of pension fund investments.
Treasury management advisor	Regulated firm providing advice on treasury management, capital finance and related issues.
Treasury Management Code (TM Code)	CIPFA's Code of Practice for Treasury Management in the Public Services and Cross-Sectoral Guidance Notes, to which local authorities are required by law to have regard.
Treasury management indicators	Indicators required by the Treasury Management Code to assist in the management of credit risk, interest rate risk, refinancing risk and price risk.
Treasury management policy statement	Document required by the Treasury Management Code setting out a local authority's definition of and objectives for treasury management.
Treasury management practices (TMPs)	Document required by the Treasury Management Code setting out a local authority's detailed processes and procedures for treasury management.
Treasury management strategy	Annual report required by the Treasury Management Code covering the local authority's treasury management plans for the forthcoming year.
Unsupported borrowing	Borrowing where the cost is self-financed by the local authority. Sometimes called prudential borrowing since it was not permitted until the introduction of the Prudential Code in 2004. See also supported borrowing.
Working capital	The cash surplus or deficit arising from the timing differences between income/expenditure in accounting terms and receipts/payments in cash terms.

Yield	A measure of the return on an investment, especially a bond. The yield on a fixed rate bond moves inversely with its price.
Yield curve	A chart of yields or interest rates for similar instruments over a range of maturity dates. See also inverted yield curve and normal yield curve.