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# Treasury Management Report
# Outturn 2025/26
**For Noting**

Please ensure ALL sections of this report are fully completed after discussing with the subject expert and a version control included.

| | |
|---|---|
| Meeting name: | **Joint Independent Audit Committee** |
| Date of meeting: | **30th June 2026** |
| Title of paper: | **2025/26 Treasury Management Outturn** |
| Author: | Margo Merritt, Chief Accountant |
| Sponsor/ Board member: | Matt Ulyatt, CC Chief Finance Officer<br>Peter Robinson, PCC Chief Finance Officer |

## Executive summary:

This paper provides the 2025/26 Treasury Management Outturn Report for 2025/26, as required by the Treasury Management Code (2021).
In line with the Treasury Management Strategy 2025/26, this paper excludes the PFI and other lease liabilities; these will be included from 2026/27 as required by the CIPFA Prudential Code.

## Recommendation(s):

The Panel is asked to note the paper.

## Cost of recommendations

N/A – no cost implications

## Niche project

The Constabulary is currently involved in a major project which introduced Niche into the Force.

This means that **any** changes to structures, movement of staff or amendment to processes will need careful consideration and authorisation to ensure that the proposal does not delay or impede the implementation of Niche.

**If your CGB paper involves any changes which could fall within those categories listed above, then BEFORE the paper is submitted you must consult with the Niche Implementation team.**

| | |
|---|---|
| **Does your proposal involve any changes to structures, staff or processes?** | No |
| **If yes, has consultation taken place with the Niche Team?** | N/A |
| **Are the Niche Team supportive of the proposal and confirmed that it will not affect or delay the implementation of Niche?** | N/A |

**Detail how the proposals contribute to:**

- **HMICFRS PEEL recovery plans – consider:**
    - How good is the force at building, developing and looking after its workforce and encouraging an ethical, lawful and inclusive workplace?
    - How good is the force at planning and managing its organisation efficiently, making sure it achieves value for money, now and in the future?
- **Performance improvement plans**
- **VIAWG**
- **Police Race Action Plan**
- **The Constabulary`s plans to be an anti-discriminatory organisation. This means not only acting in a non-discriminatory way, but addressing systemic inequalities, disadvantage and discrimination.**

**Specific business benefits:-**

- Clarity on the prudential indicators
- Clarity and approval on treasury management

## Person responsible for implementation:-

Matt Ulyatt, CC CFO
Peter Robinson, PCC CFO

Once approved by the relevant Board member who will present this paper, please submit it to the **Executive Support** mailbox two weeks before the date of the meeting.

**THIS SECTION IS REQUIRED FOR ALL PAPERS**

**Public Access to Information**
Information continued within Constabulary papers is subject to the Freedom of Information Act 2000. Reports which are submitted for consideration at PCC Governance Board are likely to be made public. If the paper contains sensitive information then please detail below.

| | |
|---|---|
| **Is this a decision of significant public interest?**<br><br>This includes a decision with any impact on the community, expenditure in excess of £50,000, or any decision that would be of obvious interest to the media or the general public | **No** |
| **Does this report contain sensitive information?**<br><br>Does this report contain any information which falls into these categories?<br><br>a) would, in the view of the chief officer of the police, be against the interests of national security;<br>b) might, in the view of the chief officer of police, jeopardise the safety of any person;<br>c) might, in the view of the chief officer of police, prejudice the prevention or detection of crime, the apprehension or prosecution of offenders, or the administration of justice; or<br>d) is prohibited by any enactment.<br>e) breaches commercial sensitivity | **No** |

| | |
|---|---|
| **ORIGINATOR CHECKLIST (MUST BE COMPLETED)** | **Comments**<br>**These sections must not be left blank** |

| | |
|---|---|
| Has legal advice been sought on this submission if required? | No |
| Has the Chief Finance Officer been consulted, if required? | Yes |
| Have equality, diversity and human rights implications been considered, as appropriate? | No |
| How are the recommendations consistent with the Police and Crime Commissioner`s objectives? | N/A |
| Has consultation been undertaken with people or agencies likely to be affected by the recommendation? | N/A |
| Has communications advice been sought on areas of likely media, community, staff or partner interest and how they might be managed? | No |
| Have all relevant implications and risks been considered? | Yes |
| Has this paper /proposal been submitted through any other Constabulary boards? If so, please detail along with the date and result. | No |

## 1. Purpose / key drivers of report

This report outlines the Treasury Management Outturn for 2025/26, including required prudential indicators. In line with the 2025/26 strategy, PFI and lease liabilities are excluded but will be included from 2026/27 under CIPFA guidance. The OPCC holds significant borrowing and investments, exposing it to risks such as investment losses and interest rate changes, making effective risk management essential.

## 2. Departmental contact

Matt Ulyatt, CC CFO
Peter Robinson, PCC CFO

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## Appendices

| Ensure any relevant reference is added to each paper, for example: CGB Business case |
|---|
| A: Treasury Management Report - Outturn 2025/26<br>B: MRP Policy 2025/26 |

**Appendix A: Treasury Management Report**

# Treasury Management Outturn Report 2025/26

This report provides Treasury Management Outturn for financial year 2025/26 and includes the requirement in the 2021 Code of reporting of the treasury management prudential indicators.

In line with the Treasury Management Strategy 2025/26, this paper excludes the PFI and other lease liabilities; these will be included from 2026/27 as required by the CIPFA Prudential Code.

The OPCC 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 OPCC's treasury management strategy.

## SECTION 1 CAPITAL STRATEGY

### Capital Outturn

The Capital Programme is set out in Table 1 below and discussed in greater detail in the Capital Programme 2025/26 Outturn (within the" Revenue, Capital, Reserves Budget Outturn 2025-26 report).

**Table 1: Capital spending and funding plans**

| | 2024/25 Actual £m | 2025/26 Actual £m | 2026/27 Forecast £m | 2027/28 Estimate £m | 2028/29 Estimate £m | 2029/30 Estimate £m |
|---|---|---|---|---|---|---|
| **Capital programme** | | | | | | |
| Fleet | 3.2 | 1.4 | 1.4 | 1.6 | 1.64 | 1.7 |
| Estates | 0.6 | 0.8 | 2.7 | 1.2 | 1.27 | 1.311 |
| Equipment | 0.2 | - | 1.2 | - | - | - |
| Environment/Energy | 1.2 | 0.1 | 1.0 | - | - | - |
| ICT | 2.1 | 3.3 | 5.3 | 4.0 | 3.8 | 4.5 |
| Niche | 1.7 | 3.0 | 0.4 | - | - | - |
| Transformation Programme | 0.7 | 0.5 | - | - | - | - |
| Business cases in development | 0.1 | - | - | 4.0 | 2.0 | 1.0 |
| **Total capital expenditure** | **9.9** | **9.1** | **12.0** | **10.8** | **8.8** | **8.5** |

* lease and PFI liabilities and transferred debt are excluded

| | 2024/25 Actual £m | 2025/26 Actual £m | 2026/27 Forecast £m | 2027/28 Estimate £m | 2028/29 Estimate £m | 2029/30 Estimate £m |
|---|---|---|---|---|---|---|
| **Funding** | | | | | | |
| Capital receipts | (0.0) | (2.0) | (3.3) | (1.3) | - | - |
| Revenue contributions | (1.7) | - | (0.7) | (1.3) | (1.8) | (2.4) |
| Reserves | (0.2) | - | | (1.3) | - | - |
| Capital grants and contributions | (0.9) | - | - | - | - | - |
| Borrowing | (7.0) | (7.0) | (7.9) | (7.0) | (6.9) | (6.1) |
| **Total Capital Funding** | **(9.9)** | **(9.1)** | **(12.0)** | **(10.8)** | **(8.8)** | **(8.5)** |

* lease and PFI liabilities and transferred debt are excluded

**Overall Borrowing Need**

The OPCC's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). The CFR measures the extent to which capital expenditure incurred has not yet been financed from either revenue or capital resources. It is essentially a measure of the OPCC's indebtedness and so its underlying borrowing need. Any capital expenditure, which is not immediately paid for through a revenue or capital resource, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges for the economic consumption of capital assets as they are used.

Table 2 shows the OPCC's forecast CFR.

**Table 2: Capital Financing Requirement**

| | 31.3.2025 | 31.3.2026 | 31.3.2027 | 31.3.2028 | 31.3.2029 | 31.3.2030 |
|---|---|---|---|---|---|---|
| | Actual | Actual | Estimate | Estimate | Estimate | Estimate |
| | £m | £m | £m | £m | £m | £m |
| Cumulative CFR | 46.4 | 51.1 | 55.3 | 58.9 | 60.6 | 61.8 |
| Less: Minimum Revenue Payment (MRP) | (2.3) | (2.9) | (3.7) | (4.7) | (5.1) | (5.4) |
| New CFR | 7.0 | 7.0 | 7.3 | 6.4 | 6.4 | 5.3 |
| **TOTAL CFR** | **51.1** | **55.3** | **58.9** | **60.6** | **61.8** | **61.7** |

* lease and PFI liabilities and transferred debt are excluded

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**Table 2a: Balance Sheet Summary**

On 31 March 2026, the OPCC had net investments of £12.5m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the CFR, while balance sheet resources (usable reserves reduced by working capital) are the underlying resources available for investment.

| | 31.3.25 Actual £m | 31.3.26 Actual £m | 31.03.27 Forecast £m |
|---|---|---|---|
| **Total CFR** | 51.1 | 55.3 | 59.0 |
| External borrowing | (27.1) | (33.4) | (30.2) |
| **Internal borrowing** | 24.0 | 21.9 | 28.7 |
| Less: Balance sheet resources | (35.1) | (34.4) | (27.1) |
| **Net investments** | **11.1** | **12.5** | **(1.6)** |
| | | | |
| Net borrowing requirement | 15.9 | 20.9 | 31.8 |
| Minimum investments balance | 10.0 | 10.0 | 10.0 |
| **LIABILITY BENCHMARK** | **25.9** | **30.9** | **41.8** |
| New Borrowing Requirement | 1.1 | 2.5 | (11.6) |

* lease and PFI liabilities and transferred debt are excluded

Table 2a above shows that by the end of 2026/27 it will be necessary to borrow externally to fund our liquidity position (held at £10m minimum). This is allowable in the short term but must be addressed in the longer term by reducing the projected CFR, protecting the reserves, and/ or rebalancing the working capital.

Table 3 compares projected borrowing against the CFR and indicates that borrowing levels are expected to remain below the CFR.

**Table 3: Borrowing compared with CFR**

| | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 |
|---|---|---|---|---|---|---|
| | Actual | Actual | Estimate | Estimate | Estimate | Estimate |
| | £m | £m | £m | £m | £m | £m |
| Gross Debt | (42.3) | (47.9) | (54.3) | (55.1) | (54.7) | (52.7) |
| Capital Financing Requirement | 51.1 | 55.3 | 58.9 | 60.6 | 61.8 | 61.7 |

* lease and PFI liabilities and transferred debt are excluded

**Affordability**

The objective of the affordability indicator is to ensure that the level of investment in capital assets proposed remains within sustainable limits and in particular highlight the impact of capital financing costs (i.e. MRP and interest) on the OPCC's "bottom line". The financing costs reflect current commitments and the capital outturn to date. The net revenue stream is defined in paragraph 96 of the Prudential Code as taxation and non-specific grant income as reported in the OPCC's Comprehensive Income and Expenditure Statement.

**Table 4 Affordability Indicator**

| | 2024/25 £m | 2025/26 £m | 2026/27 £m | 2027/28 £m | 2028/29 £m | 2029/30 £m |
|---|---|---|---|---|---|---|
| | Actual | Actual | Actual | Estimate | Estimate | Estimate |
| | £m | £m | £m | £m | £m | £m |
| MRP | 2.3 | 2.9 | 3.7 | 4.7 | 5.1 | 5.4 |
| Interest on Borrowing | 2.5 | 2.9 | 2.2 | 2.7 | 2.6 | 2.3 |
| **Total Financing Cost** | **4.8** | **5.8** | **5.9** | **7.4** | **7.7** | **7.7** |
| **Net Expenditure Requirement** | **168.4** | **169.9** | **175.7** | **184.7** | **190.7** | **196.8** |
| Capital Financing as a % of NRE | 2.9% | 3.4% | 3.4% | 4.0% | 4.0% | 3.9% |

Table 4 presents the proportion of financing costs to net revenue stream increasing from 2.9% in 2024/25 to 4% in 2028/29.

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**Minimum Revenue Provision**

Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (‘the 2003 Regulations’) requires local authorities to ‘charge to a revenue account a minimum revenue provision (MRP) for that year’. The minimum revenue provision is an annual amount set aside from the General Fund to meet the cost of capital expenditure that has not been financed from available resources, namely: grants, developer contributions (e.g. s.106 and community infrastructure levy) revenue contributions, earmarked reserves or capital receipts.

MRP is sometimes referred to as the mechanism for setting aside monies to repay external borrowing. In fact, the requirement for MRP set aside applies even if the capital expenditure is being financed from the OPCC’s own cash resources and no new external borrowing or other credit arrangement has been entered into.

Regulation 28 of the 2003 Regulations requires the OPCC to approve a Minimum Revenue Provision (MRP) Statement setting out the policy for making MRP and the amount of MRP to be calculated which the OPCC considers to be prudent. This statement is designed to meet that requirement.

In setting a prudent level of MRP local authorities must “have regard” to guidance issued from time to time by the Secretary of State for Housing, Communities and Local Government. The latest version of this guidance (version five) was issued by Ministry of Housing, Communities and Local Government (MHCLG) in April 2024.

In setting a level which the OPCC considers to be prudent, the Guidance states that the broad aim is to ensure that debt is repaid over a period reasonably commensurate with that over which the capital expenditure provides benefits to the OPCC.

Therefore, the implication is that MRP bears a relationship to the overall level of borrowing of the OPCC. In other words, if borrowing increases, the MRP should increase.

The Guidance sets out four “possible” options for calculating MRP, as set out below,

| Option | Calculation method | Applies to |
|---|---|---|
| 1: Regulatory method | Formulae set out in 2003 Regulations (later revoked) | Expenditure incurred before 1 April 2008 |
| 2: CFR method | 4% of Capital Financing Requirement | Expenditure incurred before 1 April 2008 |
| 3: Asset life method | Amortises MRP over the expected life of the asset | Expenditure incurred after 1 April 2008 |
| 4: Depreciation method | Charge MRP on the same basis as depreciation | Expenditure incurred after 1 April 2008 |

Two main variants of Option 3 are set out in the Guidance: (i) the equal instalment method and (ii) the annuity method. The annuity method weights the MRP charge towards the later part of the asset’s expected useful life and is increasingly becoming the most common MRP option for local authorities.

The OPCC followed this MRP policy during 2025/26 and will do for the duration of the MTFP.

**SECTION 2 BORROWING**

**Borrowing and debt restructuring**

As outlined in the treasury strategy, the OPCC’s chief objective when borrowing has been to strike an appropriate risk balance between securing lower interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the OPCC’s long-term plans change being a secondary objective. The OPCC’s borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

Since the sharp rise in interest rates from 2021, many central banks have begun gradually reducing policy rates. Gilt yields have remained volatile but have generally eased, reflecting expectations of lower future interest rates, although longer-term yields (around 30 years and above) have increased slightly due to a higher uncertainty premium.
PWLB certainty rates have fluctuated with market conditions. During the period, 10-year loans ranged from around 5.17% to 5.68%, 20-year loans from 5.01% to 6.31%, and 50-year loans from 5.46% to 6.14%.

The CIPFA Prudential Code (2021) requires that local authorities do not borrow primarily for financial return and discourages decisions that increase borrowing unless directly linked to core functions.

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PWLB lending is not available for yield-driven investment purchases, except for refinancing. The OPCC has no plans to borrow for investment primarily for financial return.

At 31st March 2026, the OPCC held £32.9m of loans, an increase of £6.1m from 31st March 2025, as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 31st March 2026 are summarised in Table 5 below.

**Table 5: Borrowing Position**

| | 31.3.2025 Balance £m | Net Movement £m | 31.3.2026 Balance £m | 31.3.2026 Weighted Average Rate % |
|---|---|---|---|---|
| Public Works Loan Board | 21.9 | 11.1 | 32.9 | 100% |
| Banks (LOBO) | 5.0 | (5.0) | - | 0% |
| Local authorities (long-term) | - | - | - | 0% |
| Local authorities (short-term) | - | - | - | 0% |
| **Total borrowing** | **26.9** | **6.1** | **32.9** | **100%** |

LOBO loans: On 1st April 2025 the OPCC held £5m 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 OPCC has the option to either accept the new rate and terms or to repay the loan at no additional cost. The Dexia LOBO loan was called and refinanced with a new £5m PWLB loan (4.68% for 7 years).

**Limits on external borrowing**

Compliance with the Authorised Limit and Operational Boundary for external debt is demonstrated in table 6 below.

**Table 6: Debt and the Authorised Limit and Operational Boundary**

| | 2025/26 Authorised Limit | 2025/26 Operational Boundary | Complied? |
|---|---|---|---|
| | £m | £m | |
| Borrowing | 47.4 | 46.4 | Yes, borrowing at 31.3.2026 was £32.9m |

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.

**Table 7: Maturity structure of borrowing**

| Loan | Rate<br>% | Repayment Date | Balance as at 31/03/2026<br>£ |
|---|---|---|---|
| 488471 | 4.90% | 02/03/2030 | 642,000 |
| 489770 | 4.85% | 26/03/2031 | 1,226,000 |
| 493889 | 1.89% | 09/09/2026 | 288,342 |
| 714483 | 5.28% | 25/03/2029 | 3,000,000 |
| 754452 | 4.46% | 22/08/2035 | 4,318,182 |
| 785393 | 5.13% | 23/12/2033 | 10,000,000 |
| 817872 | 4.87% | 17/04/2030 | 5,000,000 |
| 871018 | 4.68% | 22/10/2032 | 5,000,000 |
| 895945 | 4.50% | 16/01/2032 | 3,500,000 |
| **Total borrowing** | | | **32,974,524** |

**Table 7a: Analysis by maturity**

| Analysis of loans by maturity | 31.3.2025 | 31.3.2026 |
|---|---|---|
| | £'000 | £'000 |
| Short term – less than one year | 580 | 288 |
| Between 1 and 2 years | 857 | - |
| Between 2 and 5 years | 4,642 | 9,868 |
| Between 5 and 10 years | 11,226 | 22,818 |
| Between 10 and 15 years | 4,773 | - |
| Between 15 and 20 years | - | - |
| Between 20 and 25 years | - | - |
| More than 25 years | 5,000 | - |
| **Total loans** | **27,078** | **32,974** |

The OPCC's borrowing decisions are not predicated on any one outcome for interest rates and a balanced portfolio of short- and long-term borrowing was maintained.

## SECTION 3 MANAGING CASH BALANCES

The OPCC's investment position is set out in Table 8 below:

**Table 8: Treasury Investment Position**

| | 31.3.2025 Balance £'000 | Net Movement £'000 | 31.3.2026 Balance £'000 | 2025/26 Income Return % |
|---|---|---|---|---|
| Debt Management Office | - | 4,000 | 4,000 | |
| Money Market Funds | 11,070 | (2,880) | 8,190 | |
| **Total investments** | **11,070** | **1,120** | **12,190** | **Average 3.9%** |

The OPCC holds invested funds, representing income received in advance of expenditure plus balances and reserves held.

Both the CIPFA Code and government guidance require the OPCC 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 OPCC'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.
The OPCC 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.

### Compliance

The Chief Finance Officer reports that all treasury management activities undertaken during the quarter complied fully with the principles in the Treasury Management Code and the OPCC's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 7 below.

**Table 9: Investment Limits**

| | 2025/26 Maximum | 2025/26 Maximum deposit | Complied? Yes/No |
|---|---|---|---|
| The UK Government (DMO) | Unlimited | £8.150m | Yes |
| Unsecured investments with banks and building societies | £10m | £8.1m (for one day) | Yes |
| Money Market Funds | £6m (each) | £30m | Yes |

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**Appendix B: MRP Policy 2025/26**

## Minimum Revenue Provision (MRP) policy statement

1. Having regard to current Guidance on MRP issued by MHCLG and the "options" outlined in that Guidance, the OPCC is recommended to approve the following MRP Statement to take effect from 1 April 2025:

- For expenditure incurred before 1st April 2021 the PCC has adopted option 1, the Capital Financing Requirement (CFR) method for calculating MRP where 4% of the closing balance of CFR at 31st March 2021 is used to calculate MRP.
- For all capital expenditure incurred since 1st April 2021 financed from unsupported borrowing, MRP will be based on expected useful asset lives (Option 3 – asset life), calculated using the straight line method;
- asset lives will be arrived at after discussion with valuers, but on a basis consistent with depreciation policies set out in the OPCC's annual Statement of Accounts, and will be kept under regular review;
- MRP for finance leases and service concession contracts shall be charged over the primary period of the lease, in line with the Guidance.

2. In applying 'Option 3':

- MRP should normally begin in the financial year following the one in which the expenditure was incurred. However, in accordance with the Statutory Guidance, commencement of MRP may be deferred until the financial year following the one in which the asset becomes operational;
- the estimated useful lives of assets used to calculate MRP should not exceed a maximum of 50 years except as otherwise permitted by the Guidance (and supported by valuer's advice);
- if no life can reasonably be attributed to an asset, such as freehold land, the estimated useful life should be taken to be a maximum of 50 years.

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## Version history – summary of previous versions and amendments

<table>
<tr><th rowspan="5">Version, date and change history:</th><th>Version</th><th>Date</th><th>Summary of change history</th></tr>
<tr><td>7.0</td><td>07/12/23</td><td>Template reformatted and updated.</td></tr>
<tr><td>7.1</td><td>13/8/24</td><td>New section relating to Niche added by GaT</td></tr>
<tr><td></td><td></td><td></td></tr>
<tr><td colspan="3">Delete the above and enter your own version number starting at 1.0.<br><br>Add additional rows as required.<br><br>As amendments are made by different people, please amend the version number and enter brief details of the changes into this column.</td></tr>
</table>

| Executive Board member approval: | |
|---|---|
| **Name:** | **Enter the name of person approving the paper – for CGB this MUST be an Executive Board member** |
| **Date:** | |

| Security marking: |
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| Official |