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AUDIT COMMITTEE
Regulatory Committee
Agenda

Date	Wednesday 23 July 2025
Time	6.00 pm
Venue	Lees Suite, Civic Centre, Oldham, West Street, Oldham, OL1 1NL
Notes	1. DECLARATIONS OF INTEREST- If a Member requires advice on any item involving a possible declaration of interest which could affect his/her ability to speak and/or vote he/she is advised to contact Alex Bougatef or Constitutional Services at least 24 hours in advance of the meeting.

2. CONTACT OFFICER for this agenda is Constitutional Services email constitutional.services@oldham.gov.uk

3. PUBLIC QUESTIONS - Any member of the public wishing to ask a question at the above meeting can do so only if a written copy of the question is submitted to the contact officer by 12 noon, Friday, 18 July 2025.

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MEMBERSHIP OF THE AUDIT COMMITTEE
Councillors Al-Hamdani, Aslam, Chauhan, Chowhan, Ghafoor, Lancaster, Malik, Rustidge and Sykes
Independent Members: Grenville Page

Item No

9 Treasury Management 2024/25 Annual Report (Pages 3 - 42)

16 Enquiries of Management, Internal Audit and Those Charged with Governance (Pages 43 - 68)

Oldham Council

Report to Audit Committee

Treasury Management Outturn Report 2024/25

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

Officer Contact: Lee Walsh – Assistant Director of Finance

Report Author: James Postle, Senior Finance Manager/Paula Buckley, Finance Manager (Capital & Treasury)

23 July 2025

Reason for Decision

This report advises the Audit Committee of the performance of the Treasury Management function for the Council for 2024/25 and provides a comparison of performance against the 2024/25 Treasury Management Strategy and Prudential Indicators.

Executive Summary

The Council is required to consider the performance of the Treasury Management function in order to comply with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2021). This outturn report provides an update and includes the new requirement in the 2021 Code, mandatory from 1 April 2023, of quarterly reporting of the treasury management prudential indicators. This report therefore sets out the key Treasury Management issues for Members' information and reviews and outlines:

- An economic update for 2024/25;
- A review and updates of the Council's current treasury management position;
- Council Borrowing;
- Treasury Investment Activity;
- Treasury Performance for 2024/25; and
- Treasury Management Prudential Indicators;

The report is presented to the Audit Committee to enable it to have the opportunity to review and scrutinise the Treasury Management Outturn report prior to its presentation to Cabinet and Council.

Recommendations

That the Audit Committee:

- Considers and comments upon the Treasury Management Outturn report and the Treasury Management activity and projected outturn and after such consideration, commends the report to Cabinet.

- Commends the proposed increases in the Operational Boundary and Authorised Limit in relation to PFI and Finance Lease debt liabilities as detailed in section 2.6 of the report.

- Notes the Treasury Management Quarter 3 Review at Appendix 2.

1 Background

1.1 The Council must have a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operation is to ensure this cash flow is adequately planned, with surplus monies being invested in line with its Treasury Management Strategy, providing adequate liquidity initially before considering optimising investment returns.

1.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

1.3 As a consequence, treasury management is defined as:

"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

2 Current Position

Requirements of the Treasury Management Code of Practice

2.1.1 The Council has adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (Revised 2021) (the CIPFA Code) which requires the Authority to produce a quarterly treasury management update report; a requirement in the 2021 Code which is mandatory from 1 April 2023.

2.1.2 The treasury and prudential indicators are also incorporated at Appendix 1 to this report.

2.1.3 The Quarter Three Treasury Management report is incorporated at Appendix 2 to this report and reflects the Treasury Management Projections as at 31 December 2024. The report is for Members to note.

2.1.4 The Council's Treasury Management Strategy for 2024/25 was approved on 28 February 2024. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the potential loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Authority's Treasury Management Strategy.

2.1.5 This Outturn report has been prepared in compliance with CIPFA's Code of Practice, and covers the following:

- An economic update for 2024/25;
- A review and updates of the Council's current treasury management position;
- Council Borrowing;
- Treasury Investment Activity;
- Treasury Performance for 2024/25; and
- Treasury Management Prudential Indicators.

External Environment 2024/25

Economic Background

2.1.6 Both the UK and US elected new governments during the period, whose policy decisions impacted the economic outlook. The Chancellor of the Exchequer delivered her Spring Statement in March 2025, following her Budget in October 2024.

2.1.7 Based on the plans announced, the Office for Budget Responsibility downgraded its predictions for UK growth in 2025 to 1% from 2%. However, it upgraded its predictions for the four subsequent years. Inflation predictions for 2025 were pushed up, to 3.2% from 2.6%, before seen as falling back to target in 2027. The market reaction to the Spring Statement was more muted compared to the Budget, with very recent market turbulence being driven more by US trade policy decisions and President Trump

2.1.8 UK annual Consumer Price Index (CPI) inflation continued to stay above the 2% Bank of England (BoE) target in the later part of the period. The Office for National Statistics (ONS) reported headline consumer prices at 2.8% in February 2025, down from 3.0% in the previous month and below expectations. Core CPI also remained elevated, falling slightly in February to 3.5% from 3.7% in January, just below expectations for 3.6% but higher than the last three months of the calendar year.

2.1.9 The UK economy Gross Domestic Product (GDP) grew by 0.1% between October and December 2024, unrevised from the initial estimate. This was an improvement on the zero growth in the previous quarter, but down from the 0.4% growth between April and June 2024. Of the monthly GDP figures, the economy was estimated to have contracted by 0.1% in January, worse than expectations for a 0.1% gain.

2.1.10 The labour market continued to cool, but the ONS data still require treating with caution. Recent data showed the unemployment rate rose to 4.4% (3mth/year) in the three months to January 2025 while the economic inactivity rate fell again to 21.5%. The ONS reported pay growth over the same three-month period at 5.9% for regular earnings (excluding bonuses) and 5.8% for total earnings.

2.1.11 After revising its interest rate forecast in November following the Budget, the council's treasury management advisor, Arlingclose, maintained its stance that Bank Rate will fall to 3.75% in 2025.

2.1.12 The Bank of England (BoE's) Monetary Policy Committee (MPC) held Bank Rate at 4.5% at its March 2025 meeting, having reduced it in February. This follows earlier 0.25% cuts in November and August 2024 from the 5.25% peak. At the March MPC meeting, members voted 8-1 to maintain Bank Rate at 4.5%, with the one dissenter preferring another 25 basis points cut. The meeting minutes implied a slightly more hawkish tilt compared to February when two MPC members wanted a 50bps cut. In the minutes, the Bank also upgraded its Quarter 1 2025 GDP forecast to around 0.25% from the previous estimate of 0.1%.

2.1.13 The February Monetary Policy Report (MPR) showed the BoE expected GDP growth in 2025 to be significantly weaker compared to the November MPR. GDP is forecast to rise by 0.1% in Quarter 1 2025, less than the previous estimate of 0.4%. Four-quarter GDP growth is expected to pick up from the middle of 2025, to over 1.5% by the end of the forecast period. The outlook for CPI inflation showed it remaining above the MPC's 2% target throughout 2025. It is expected to hit around 3.5% by June before peaking at 3.7% in Quarter 3 and then easing towards the end of the year, but staying above the 2% target. The unemployment rate was expected to rise steadily to around 4.75% by the end of the forecast horizon, above the assumed medium-term equilibrium unemployment rate of 4.5%.

2.1.14 Following this MPC meeting, Arlingclose, the authority's treasury adviser, maintained its central view that Bank Rate would continue to fall throughout 2025. From the cuts in August and November 2024 and February 2025, which took Bank Rate to 4.50%, May is considered the likely month for the next reduction, with other cuts following in line with MPR months to take Bank Rate down to around 3.75% by the end of 2025.

2.1.15 The US Federal Reserve paused its cutting cycle in the first three months of 2025, having reduced the Fed Funds Rate by 0.25% to a range of 4.25%-4.50% in December, the third cut in succession. Fed policymakers noted uncertainty around the economic outlook but were anticipating around 0.50% of further cuts in the policy rate in 2025. Economic growth continued to rise at a reasonable pace, expanding at an annualised rate of 2.4% in Q4 2024 while inflation remained elevated over the period. However, growth is now expected to weaken by more than previously expected in 2025, to 1.7% from 2.1%. The uncertainty that President Trump has brought both before and since his inauguration in January is expected to continue.

2.1.16 The European Central Bank (ECB) continued its rate cutting cycle over the period, reducing its three key policy rates by another 0.25% in March, acknowledging that monetary policy is becoming meaningfully less restrictive. Euro zone inflation has decreased steadily in 2025, falling to 2.2% in March, the lowest level since November 2024. Over the current calendar year, inflation is expected to average 2.3%. GDP growth stagnated in the last quarter of the 2024 calendar year, after expanding by 0.4% in the previous quarter. For 2025, economic growth forecasts were revised downwards to 0.9%.

Financial Markets

2.1.17 Sentiment was reasonably positive over most of the period, but economic, financial and geopolitical issues meant the trend of market volatility remained. In the latter part of the period, volatility increased and bond yields started to fall following a January peak, as the economic uncertainty around likely US trade policy impacted financial markets. Yields in the UK and US started to diverge in the last month of the period, with the former rising around concerns over the fiscal implications on the UK government from weaker growth, business sentiment and higher rates, while the latter started falling on potential recession fears due to the unpredictable nature of policy announcements by the US President and their potential impact.

2.1.18 Over the financial year, the 10-year UK benchmark gilt yield started the period at 3.94% and ended at 4.69%, having reached a low of 3.76% in September and a high of 4.90% in January in between. While the 20-year gilt started at 4.40% and ended at 5.22%, hitting a low of 4.27% in September and a high of 5.40% in January. The Sterling Overnight Rate (SONIA) averaged 4.90% over the period.

2.1.19 The period in question ended shortly before US President Donald Trump announced his package of 'reciprocal tariffs', the immediate aftermath of which saw stock prices and government bond yields falling and introduced further uncertainty over the economic outlook.

Credit Review

2.1.20 In October, Arlingclose revised its advised recommended maximum unsecured duration limit on most banks on its counterparty list to six months. Duration advice for the remaining five institutions, including the newly added Lloyds Bank Corporate Markets, was kept to a maximum of 100 days. This advice remained in place at the end of the period.

2.1.21 The last three months of the period were relatively quiet on the bank credit rating front, with a small number of updates issued for a number of lenders not on the Arlingclose recommended counterparty list.

2.1.22 On local authorities, S&P assigned a BBB+ to Warrington Council, having previously withdrawn its rating earlier in 2024, and also withdrew its rating for Lancashire County Council due to the council deciding to stop maintaining a credit rating. However, it still holds a rating with Fitch and Moody's. Moody's withdrew its rating of Cornwall Council after it chose to no longer maintain a rating.

2.1.23 Credit default swap prices generally trended lower over the period but did start to rise modestly in March, but not to any levels considered concerning. Once again, price volatility over the period remained generally more muted compared to previous periods.

2.1.24 Financial market volatility is expected to remain a feature, at least in the near term and, credit default swap levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remain under constant review.

2.2 Oldham Council Treasury Position

2.2.1 On 31 March 2024, the Authority had net borrowing of £144.396m arising from its revenue and capital income and expenditure. This had risen to £187.231m by the end of 2024/25. As shown in Table 2.

2.2.2 The actual and planned level of capital expenditure are the drivers of borrowing for capital purposes. Appendix 1 shows the actual level of capital expenditure at the end of 2023/24 and 2024/25. It also shows the financing including the level of prudential borrowing.

2.2.3 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1 - Balance Sheet Summary

	31 March 2024 £'000	31 March 2025 £'000
Total CFR	**488,980**	**559,839**
Less: Other debt liabilities PFI	193,890	223,812
Borrowing CFR	**295,090**	**336,027**
External borrowing	181,110	234,817
Internal borrowing	113,980	101,209
Less: Usable Balance Sheet Resources	(132,737)	(124,565)
Less: Working capital	(17,957)	(24,230)
Net Investments	**(36,714)**	**(47,586)**

2.2.4 Table 1 shows the CFR for 2024/25 is £559.839m, an increase of £70.859m compared to £488.980m at the end of 2023/24. The CFR excluding other debt liabilities relating to Private Finance Initiative schemes is £336.027m an increase of £40.937m compared to the position at the end of 2023/24. The CFR relating to other debt liabilities has increased by £29.922m to £223.812m due to the introduction of a new accounting standard IFRS 16 relating to the accounting for leases. This has resulted in more finance leases being recognised on the balance sheet and a recalculation of the Council's existing PFI lease liabilities which have driven the increase

2.2.5 The table clearly highlights that the Council borrowing is well below the CFR and the Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (CFR) has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy has been prudent in recent years as investment returns have been low and counterparty risk is still an issue that needs to be considered. This along with raising interest rates for external debt means that the Council will continue to analyse and assess the market to determine the optimum time to externally borrow.

2.2.6 The treasury management position as at 31 March 2025 and the change over the year is shown in Table 2 below.

Table 2 - Treasury Management Summary

Borrowing/Investments	31 March 2024 Balance £'000	Movement £'000	31 March 2025 Balance £'000	31 March 2025 Average Rate %
Long-term borrowing				
- Public Works Loan Board	35,241	48,818	84,059	3.83%
- Lender Option Borrowing Option	85,500	-	85,500	4.13%
- Other	40,001	-	40,001	4.03%
Short-term borrowing	20,368	4,889	25,257	5.51%
Total Borrowing	**181,110**	**53,707**	**234,817**	
Long-term investments	13,354	257	13,611	5.63%
Short-term investments	10,000	(10,000)	-	5.28%
Cash and cash equivalents	13,360	20,615	33,975	4.95%
Total Investments	**36,714**	**10,872**	**47,586**	
Net Borrowing (total borrowing less total investments)	**144,396**		**187,231**	

2.2.7 As can be seen in the table above, short term borrowing has increased by £53.707m in the 2024/25 financial year. Overall, the level of investments have also increased £10.872m since the end of 2023/24 principally due to the Council receiving capital grant funding in advance of the capital spend.

2.3 Borrowing

2.3.1 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 so may lead to new borrowing, unless directly and primarily related to the functions of the Authority.

2.3.2 Public Works Loan Board (PWLB) loans are no longer available to Local Authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes.

2.3.3 Oldham Council has not invested in assets primarily for financial return or that are not primarily related to the functions of the Council, and it has no plans to do so in future.

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

2.3.5 After substantial rises in interest rates since 2021 many central banks have now begun to slowly reduce their policy rates.

2.3.6 Gilt yields have remained volatile but have increased overall during 2024/25. Much of the increase has been in response to market concerns that policies introduced by the government will be inflationary and lead to higher levels of government borrowing. There are also concerns that US trade policies may have an inflationary impact.

2.3.7 On 31 March, the PWLB certainty rates for 10-year maturity loans were 4.80% at the beginning of the 2024/25 and 5.42% at the end. The lowest 10-year maturity rate was 4.52% and the highest was 5.71%. Rates for 20-year maturity loans ranged from 5.01% to 6.14% during 2024/25 and 50-year maturity loans ranged from 4.88% to 5.88%.

2.3.8 As at 31 March 2025 Oldham Council held £234.817m of loans representing an increase of £53.707m in 2024/25. Outstanding loans on 31 March (borrowing position) are summarised in Table 3 below.

Table 3 - Borrowing Position

Borrowing Sources	31 March 2024 Balance £'000	Movement £'000	31 March 2025 Balance £'000	31 March 2025 Weighted Average Rate %	31 March 2025 Weighted Average Maturity (years)
Public Works Loan Board	35,241	48,818	84,059	3.83%	10.77
Banks (LOBO)	85,500	-	85,500	4.13%	42.68
Banks (fixed-term)	40,000	-	40,000	4.03%	44.27
Local Authorities (short -term)	20,114	4,885	25,000	5.51%	
Local Bonds (long-term)	1	-	1	1.00%	0
Local Bonds (short-term)	22	-	22	0.00%	0
Local Charitable Trusts (short-term)	231	4	235	4.96%	1
Total Borrowing	**181,110**	**53,707**	**234,817**		

LOBO Loans

2.3.9 Oldham Council held £85.500m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate and terms or to repay the loan at no additional cost.

2.3.10 With market interest rates having risen, the probability of LOBOs being called has been higher than in the recent past. A total of £50.500m of LOBO loans had annual/semi-annual call option dates during the year, however no lender exercised their option.

2.3.11 As at 31st March 2025 Oldham Council had £39m LOBO loans with call dates within the next 12 months. Of this sum, £14m is held with Dexia Finance over 3 loans, and the remaining £25m is 4 separate loans with four other providers, Danske Bank and KA Finanz, FMS Wertmanagement and KBC Bank. The Call option for the loan with FMS Wetmanagement was called on 31st March with a proposed interest rate of 7.67%. As a result, the Council exercised its option to repay the £5m in full on 3rd April 2025. No other LOBO loans have been called at the time of writing.

2.3.12 Council officers have liaised with treasury management advisors, Arlingclose, over the likelihood of the options being exercised for LOBO's within the loan portfolio. If the option is exercised the Authority plans to repay the loan at no additional cost. If required, the Authority will repay the LOBO loans with available cash or by borrowing from alternative sources or the PWLB, always providing that overall savings can be demonstrated.

2.4 Treasury Investment Activity

2.4.1 CIPFA published a revised the Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20 December 2021. These define treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

2.4.2 At 31 March, the Council held £47.568m invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2024/25, the Authority's investment balances ranged between £24.491m and £64.927m due to timing differences between income and expenditure. The investment position is shown in Table 4 below.

Table 4 - Treasury Investment Position

Investment Placements	31 March 2024 Balance £'000	Movement £'000	31 March 2025 Balance £'000	31 March 2025 Income Return %
Government (incl. Local Authorities)	10,000	(10,000)	-	
Money Market Funds	13,360	20,615	33,975	5.10%
Property Pooled Fund	13,354	257	13,611	5.63%
Total investments	**36,714**	**10,872**	**47,568**	

2.4.3 Both the CIPFA Code and Government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

2.4.4 As demonstrated by the liability benchmark in this report, the Authority expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different sectors and boost investment income.

2.4.5 Bank Rate reduced from 5.25% to 5.00% in August 2024, then to 4.75% in November 2024and again to 4.50% in February 2025. 1% over the period, from 4.25% at the beginning of April 2023 to 5.25% by the end March 2024. Money Market Rates ranged between 5.29% and 4.40%

2.4.6 The Council in previous years has invested £15.000m in the Churches, Charities & Local Authorities (CCLA) pooled property fund. As this is a longer-term investment short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. This fund generated an average total return of £0.84m, 5.63% income return.

2.4.7 Having had a challenging time since 2022, UK commercial property generally experience a recovery during 2024/25 with improved investment activity and capital values stabilising or improving. This was evident in the increase in the capital value of the Councils CCLA property fund by £0.257m in the year to 31 March 2025.

2.4.8 The change in the Authority's funds' capital values and income return over the year to 31 March is shown in Table 4.

2.4.9 The Council's investments have no defined maturity date, but are available for withdrawal after a notice period, but their performance and continued suitability in meeting the Council's medium to long-term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three to five-year period total returns will exceed cash interest rates.

Statutory Override

2.4.10 Further to consultations in April 2023 and December 2024 MHCLG wrote to finance directors in England in February 2025 regarding the statutory override on accounting for gains and losses in pooled investment funds. On the assumption that when published regulations follow this policy announcement, the statutory override will be extended up until the 1 April 2029 for investments already in place before 1 April 2024. The Council had set up a provision of £2m to mitigate the impact of the statutory override not being extended. In view of the fact that the override may not be extended past 2009 the Council has, currently, decided to maintain this provision.

2.5 Treasury Team Performance

2.5.1 The Treasury Team measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates, as shown in Table 5 below.

Table 5 – Treasury Team Performance

	Budgeted Performance Rates / Benchmark SONIA Return %	Benchmark SONIA Return % Plus 5%	Actual Return %
Budgeted Annual Investment Rates	5.00%	-	5.06%
Overnight SONIA	4.90%	5.15%	5.11%

2.5.2 The budgeted investment rate of 5.00% above included within the annual strategy for 2024/25 was based on the average rate over the full financial year as expectations were for a number of interest rate reductions to take place during 2024/25. The actual rate achieved in the 2024/25 financial year exceeds this budgeted rate.

2.5.3 Previously the benchmark return was measured on the London Interbank Bid Rate (LIBID) which was a forward-looking interest rate. The Bank of England replaced LIBID with SONIA in December 2021. SONIA is calculated differently to LIBID in that it is a backward-looking rate, based on actual results. The benchmark of SONIA plus 5% has not been achieved however the actual rate achieved for overnight investments over the year is higher than the average SONIA rate over the period.

2.5.4 The Section 151 Officer reports that 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 demonstrated in Table 6 below.

Table 6 - Investment Limits

Investment Limit	Maximum during 2024/25 £'000	Actual Position at 31 December 2024 £'000	Maximum Allowable in 2024/25 £'000	Compliance Yes/No
Any single organisation, except the UK Government	10,000	-	30,000	Yes
Any group of organisations under the same ownership	10,000	-	20,000	Yes
Any group of pooled funds under the same management	13,611	13,611	15,000	Yes
Unsecured investments with building societies	-	-	20,000	Yes
Money Market Funds	51,330	33,975	80,000	Yes
Strategic Pooled Funds	13,611	13,611	15,000	Yes

2.5.5 Compliance with the Operational Boundary and Authorised Limit for external debt is demonstrated in Table 7 below.

Table 7 – Operational Boundary and Authorised Limit

Borrowing /Limits	Actual Position at 31 March 2025 £'000	2024/25 Operational Boundary £'000	2024/25 Authorised Limit £'000	Compliance Yes/No
Borrowing	234,817	335,250	350,250	Yes
PFI and Finance Leases	223,812	183,500	186,000	No* see 2.5.9
Total Gross Borrowing / Limit	**458,629**	**518,750**	**536,230**	Yes

2.5.6 The Operational Boundary represents the expected borrowing position for the Council for the year and was set at £518,750m.

2.5.7 The Authorised Limit is the "affordable borrowing limit" required by Section 3 of the Local Government Act 2003 and for 2023/24 was set at £536,230m. Once this has been set, the Council does not have the power to borrow above this level although it can be revised if required.

2.5.8 Since the Operational Boundary is a management tool for in-year monitoring it is not significant if the Operational Boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

2.5.9 Due to the implementation of accounting changes as a result of the adoption of IFRS 16 – Leases a number of existing leases have been reclassified from being treated as revenue expenditure and have been brought on to the Council's Balance Sheet, with the lease liability contributing to the overall Council debt liabilities. More significantly the Council's lease liabilities in relation to the Council's PFI contracts have been recalculated. The recalculation of the PFI lease liabilities has resulted in expenditure that was previously classed as an interest revenue cost being reclassified as part of lease payments and consequently increasing the total liability. The total increase in PFI debt liabilities as a result of the exercise was an uplift in value of the PFI Liability of £32.384m.

2.5.10 Whilst the overall Operational Boundary and Authorised Limit were not breached during the year. The element specific to PFI and Finance Leases was breached. It is proposed to raise the Operational Boundary and Authorised Limit for the PFI and Finance Lease liabilities to £230,000m and £235,000m.

2.5.11 It should be noted that the changes to the accounting treatment of PFI and finance lease liabilities do not change the total overall expenditure that the Council will incur on PFI schemes and the PFI payments are covered in full within the existing revenue budget.

2.5.12 The Revised Operational Boundary and Authorised Limit are set out in the table below:

Table 7 – Revised Operational Boundary and Authorised Limit

Borrowing /Limits	Actual Position at 31 March 2025 £'000	2024/25 Operational Boundary £'000	2024/25 Authorised Limit £'000	Compliance Yes/No
Borrowing	234,817	335,250	350,250	Yes
PFI and Finance Leases	223,812	230,000	235,000	Yes
Total Gross Borrowing / Limit	**458,629**	**565,250**	**585,250**	Yes

2.6 Treasury Management Prudential Indicators

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

Liability Benchmark

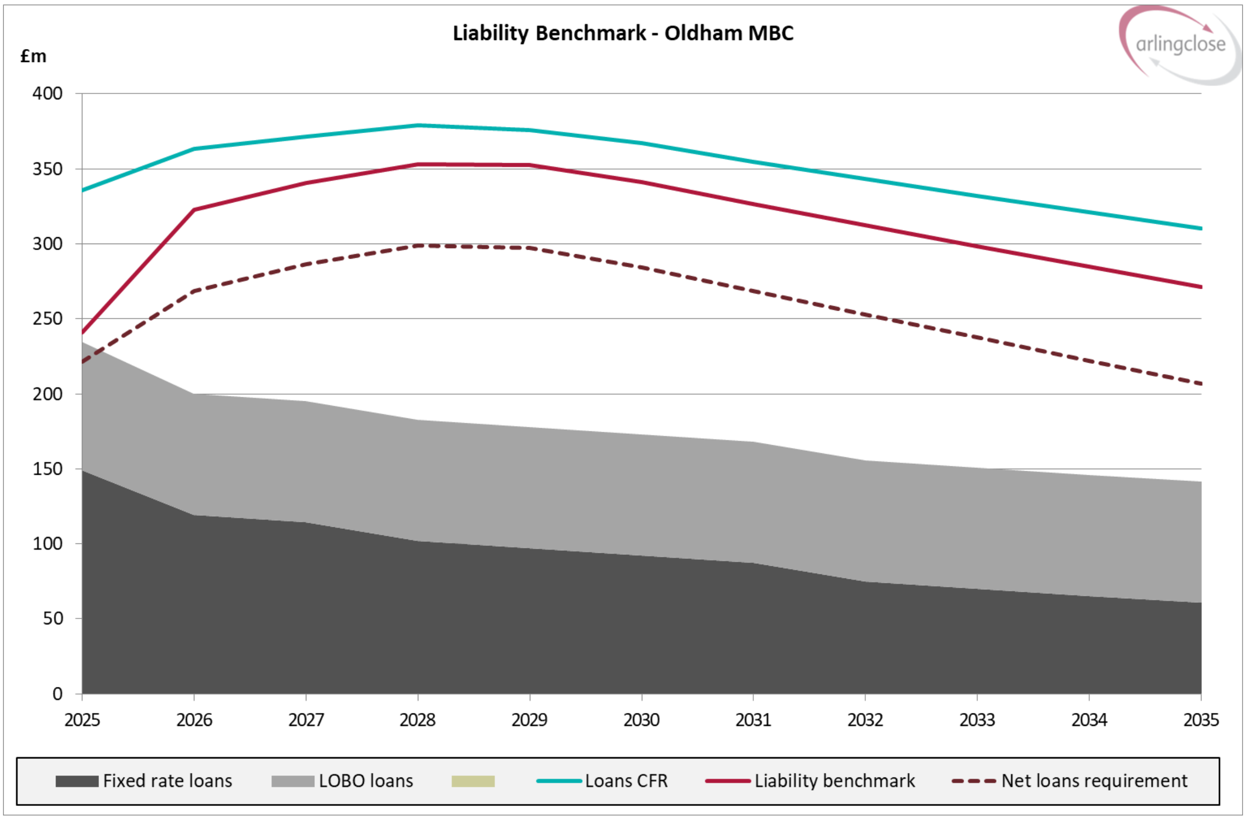
2.6.2 This new indicator compares the Authority's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. It represents an estimate of the cumulative amount of external borrowing that the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level of £20.000m, the level required to manage day-to-day cash flow.

Table 8 - Liability Benchmark

Liability Benchmark Measurement	31 March 2024 Actual £'000	31 March 2025 Actual £'000	31 March 2026 Forecast £'000	31 March 2027 Forecast £'000
Loans CFR	296,775	336,027	361,940	368,951
Less: Balance sheet resources	171,168	148,795	124,936	119,936
Net loans requirement	**123,922**	**187,232**	**237,004**	**248,665**
Plus: Liquidity allowance	20,000	20,000	20,000	20,000
Liability benchmark	**143,922**	**207,232**	**257,004**	**268,665**
Existing /forecast borrowing	**180,110**	**234,817**	**237,004**	**248,665**

2.6.3 As demonstrated by the liability benchmark in the table above, the Council expects to be a long-term borrower to finance the expected capital spend. There could be timing differences between when the Council externally borrows compared to when the expenditure is required due to the nature of capital works, but new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different sectors and boost investment income.

2.6.4 Following on from the medium-term forecast above, the long-term liability benchmark assumes capital expenditure funded by borrowing. Minimum Revenue Provision on new capital expenditure is forecast based on a 25 year asset life. This is shown in the chart below together with the maturity profile of the Authority's existing borrowing



2.6.5 Table 9 below sets out the maturity structure of borrowing at the end of 2024/25 compared to the upper and lower limits set in the Treasury Management Strategy for 2024/25.

Table 9 - Maturity Structure of Borrowing

Borrowing Timeframe	Upper Limit	Lower Limit	31 March 2025 Actual	Compliance Yes/No
Under 12 months	35%	0%	29.44%	Yes
12 months and within 24 months	35%	0%	8.46%	Yes
24 months and within 5 years	35%	0%	22.82%	Yes
5 years and within 10 years	35%	0%	13.44%	Yes
10 years to 20 years	50%	0%	2.42%	Yes
20 years to 30 years	50%	0%	2.13%	Yes
30 years to 40 years	50%	0%	2.13%	Yes
40 years to 50 years	50%	0%	10.65%	Yes
50 years to 60 years	50%	0%	8.52%	Yes

2.6.6 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment. In the case of LOBO loans, the next option date has been used as the measure to determine if it is potentially repayable.

Long-term Treasury Management Investments

2.6.7 The purpose of the Long-Term Treasury Management indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management limits are set out in the table below.

Table 10- Limit / Actual Investments exceeding one year

Limit /Actual Investments Exceeding One Year	2024/25	2025/26	2026/27	No fixed date
Limit on principal invested beyond year end	£50m	£50m	£50m	£50m
Actual principal invested beyond year end	£15m	-	-	-
Compliance – Yes/No?	Yes	N/A	N/A	N/A

2.6.8 Long-term investments with no fixed maturity date include strategic pooled funds. For the Council, this is currently the CCLA Property Fund. Long term investments exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term investments.

3 Options/Alternatives

3.1 In order that the Council complies with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management the Audit Committee has no option other than to consider and approve the contents of the report. Therefore, no options/alternatives have been presented.

4 Preferred Option

4.1 The preferred option is that the contents of the report are agreed and recommended to Cabinet for approval.

5 Consultation

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

5.2 The presentation of the Treasury Management Outturn Report to the Audit Committee for detailed scrutiny on 23 July 2025 will be in compliance with the requirements of the CIPFA Code of Practice. The report will then be presented to Cabinet and then subsequently Council for approval.

6 Financial Implications

6.1 All included within the report.

7 Legal Services Comments

7.1 The proposals have been the subject of review by Finance officers and the Council's Treasury Management advisers in order to ensure compliance with the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and statutory guidance on the Minimum Revenue Provision. I am satisfied that the recommended proposals would not be in breach of those regulations or statutory guidance and the preferred option is supported.

(Alex Bougatef – Interim Borough Solicitor and Monitoring Officer)

7.2

8 Co-operative Agenda

8.1 The Council ensures that any Treasury Management decisions comply as far as possible with the ethos of the Co-operative Council.

9 Human Resources Comments

9.1 None.

10 Risk Assessments

10.1 There are considerable risks to the security of the Authority's resources if appropriate treasury management strategies and policies are not adopted and followed. The Council has established good practice in relation to treasury management which has previously been acknowledged in both Internal and the External Auditors' reports presented to the Audit Committee.

11 IT Implications

11.1 None.

12 Property Implications

12.1 None.

13 Procurement Implications

13.1 None.

14 Environmental and Health & Safety Implications

14.1 None.

15 Community cohesion, including crime and disorder in accordance with section17 of the Crime and Disorder Act 1998

15.1 None.

16 Oldham Equality Impact Assessments, including implications for Children and Young People

16.1 Not Applicable

17 Key Decision

17.1 Yes

18 Key Decision Reference

18.1 FCR/04/25

19 Background Papers

19.1 The following is a list of the background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents, which would disclose exempt or confidential information as defined by that Act.

File Ref: Background papers are contained with Appendices 1 and 2
Officer Name: James Postle

Appendix 1 - Prudential and Treasury Indicators

Appendix 2 – Treasury Management Quarter 3 Review

Appendix 1 - Prudential and Treasury Indicators

The following tables shows a summary of the prudential indicators for 2024/25.

Capital Expenditure

Capital Expenditure/Financing	2023/24 £'000	2024/25 £'000
Expenditure		
General Fund services	81,147	81,790
HRA	64	1
Total Capital Expenditure	**81,211**	**81,791**
Financing		
Grants & Contributions	(32,621)	(27,774)
Prudential Borrowing	(40,448)	(47,337)
Revenue	(1,606)	(13)
Capital Receipts	(6,538)	(6,667)
Total Financing	**(81,211)**	**(81,791)**

Capital Financing Requirement (CFR)

Capital Financing Requirement	31 March 2024 Actual £'000	31 March 2025 Actual £'000
General Fund Services	488,980	559,839
Total CFR	**488,980**	**559,839**

Gross Borrowing and the Capital Financing Requirement

Gross Borrowing / CFR	31 March 2024 £'000	31 March 2025 £'000
Gross Borrowing (incl. PFI & leases)	375,000	458,630
Capital Financing Requirement	488,980	559,839

Debt and the Authorised Limit and Operational Boundary

Debt	Debt at 31 March 2025	2024/25 Revised Operational Boundary	2024/25 Revised Authorised Limit	Compliance? Yes/No
	£'000	£'000	£'000	
Borrowing	234,817	335,250	350,250	Yes
PFI and Finance Leases	223,812	230,000	235,000	Yes
Total Debt	**458,630**	**565,250**	**585,250**	

Proportion of Financing Costs to Net Revenue Stream

Financing Cost/Net Revenue Stream	2023/24 £'000	2024/25 £'000
Financing costs (£m)	19,424	26,525
Proportion of net revenue stream	6.50%	7.61%

Appendix 2

Treasury Management Quarter 3 Report 2024/25

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

Officer Contact: Fiona Greenway, Interim Executive Director of Corporate Resources and Section 151 Officer

Report Author: James Postle, Senior Finance Manager / Paula Buckley, Finance Manager (Capital & Treasury)

23 July 2025

Reason for Decision

In April 2023 the Authority adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code), which requires the Authority to approve, as a minimum, treasury management semi-annual and annual outturn reports.

This report advises Council of the performance of the Treasury Management function for the third quarter of 2024/25 and provides a comparison of performance against the 2024/25 Treasury Management Strategy and the Treasury Management Prudential Indicators.

Executive Summary

The Council is required to consider the performance of the Treasury Management function in order to comply with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2021). This quarterly report provides an additional update and includes the new requirement in the 2021 Code, mandatory from 1 April 2023, of quarterly reporting of the treasury management prudential indicators. This report therefore sets out the key Treasury Management issues for Members' information and review and outlines:

- An economic update for the first half of 2024/25 (External Context);
- Net Borrowing and Investments (Local Context);
- A review and updates of the Council's current treasury management position;
- Council Borrowing;
- Treasury Investment Activity;

- Treasury Performance for the first half of the year;
- Compliance; and
- Treasury Management Prudential Indicators.

Recommendation

That the Audit Committee considers and comments upon the Treasury Management Quarter 3 report and the Treasury Management activity and projected outturn.

1 Background

1.1 The Council must have a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operation is to ensure this cash flow is adequately planned, with surplus monies being invested in line with the Council's Treasury Management Strategy, providing adequate liquidity initially before considering optimising investment returns.

1.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer term cash flow surpluses, and on occasion, any debt previously drawn may be restructured to meet Council risk or cost objectives.

1.3 As a consequence, treasury management is defined as:

"The management of the local authority's investments and cash flows, its banking, money market, and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

2 Current Position

2.1 Requirements of the Treasury Management Code of Practice

2.1.1 The Council has adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (Revised 2021) (the CIPFA Code) which requires the Authority to produce a quarterly treasury management update report; a requirement in the 2021 Code which is mandatory from 1 April 2023.

2.1.2 The Treasury Management Half Year Update Report was presented to the Audit Committee for scrutiny on 28 November 2024, Cabinet 2 December 2024 and subsequently approved at Council 20 January 2025.

2.1.3 This Quarter 3 report provides an additional update to that previously received by Members to reflect the requirement of the 2021 Code of quarterly reporting on treasury management prudential indicators. It presents for approval the Treasury Management position review at the end of December 2024. The treasury and prudential indicators are also incorporated at Appendix 1 to this report.

2.1.4 The Council's Treasury Management Strategy for 2024/25 was approved at a meeting on 28 February 2024. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks, including the potential loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring, and control of risk remains central to the Authority's Treasury Management Strategy.

2.1.5 This Quarter 3 Review report has been prepared in compliance with CIPFA's Code of Practice, and covers the following:

- An economic update for the second quarter of 2024/25;
- A review and updates of the Council's current treasury management position;
- Council Borrowing;
- Treasury Investment Activity;

- Treasury Performance for the first six months;
- Compliance; and
- Treasury Management Prudential Indicators;

2.2 External Environment Review 2024/25

Economic background:

2.2.1 The Chancellor of the Exchequer delivered her Autumn Budget at the end of October. Based on the plans announced, the Office for Budget Responsibility reported they would provide a short-term boost to Gross Domestic Product (GDP) growth before weakening it further out and push inflation higher over the medium-term. This change to the economic and inflation outlook caused financial markets to readjust expectations of Bank of England (BoE) Bank Rate and gilt yields higher. The council's treasury management advisor, Arlingclose, also revised its interest rate forecast upwards in November, with Bank Rate expected to eventually fall to 3.75%

2.2.2 The UK annual Consumer Price Index (CPI) inflation remained above the Bank of England (BoE) 2% target in the later part of the period. The Office for National Statistics (ONS) reported headline consumer prices rose 2.6% in November 2024, up from 2.3% in the previous month and in line with expectations. Core CPI also rose, but by more than expected, and remained elevated at 3.6% in November against a forecast of 3.5% and compared to 3.3% in the previous month.

2.2.3 UK economy GDP registered no growth (0.0%) between July and September 2024 and 0.4% between April and June 2024, a further downward revision from the 0.5% rate previously reported by the ONS. Of the monthly GDP figures, the economy was estimated to have contracted by 0.1% in October, following the same size decline in September

2.2.4 The labour market continued to loosen, but the ONS data still require treating with some caution. Recent figures reported the unemployment rate rose to 4.3% (3mth/year) in the three months to October 2024 and economic inactivity fell to 21.7%. The ONS reported pay growth over the same three-month period at 5.2% for both regular earnings (excluding bonuses) and for total earnings.

2.2.5 The BoE's Monetary Policy Committee (MPC) held Bank Rate at 4.75% at its December 2024 meeting, having reduced it to that level in November and following a previous 25bp cut from the 5.25% peak at the August MPC meeting (5-4 vote to cut). At the December meeting, six Committee members voted to maintain Bank Rate at 4.75% while three members preferred to reduce it to 4.50%. The meeting minutes suggested a reasonably dovish tilt to rates with the outlook for economic growth a concern among policymakers as the Bank downgraded its Q4 GDP forecast from 0.3% to 0.0%.

2.2.6 The November Monetary Policy Report (MPR) showed the BoE expected GDP growth to pick up to around 1.75% (four-quarter GDP) in the early period of the forecast horizon before falling back. The impact from the government's Autumn Budget pushed GDP higher in 2025 than was expected in the August MPR, before becoming weaker. The outlook for CPI inflation showed it rising above the MPC's 2% target from 2024 into 2025 and reaching around 2.75% by the middle of calendar 2025. Over the medium-term, once the near-term pressures eased, inflation was expected to stabilise around the 2% target. The unemployment rate was expected to increase modestly, rising to around 4.5%, the assumed medium-term equilibrium unemployment rate, by the end of the forecast horizon.

2.2.7 Arlingclose, the authority's treasury adviser, maintained its central view that Bank Rate would continue to fall from the 5.25% peak. From the first cut in August 2024, followed by the next in November which took Bank Rate to 4.75%, February 2025 is deemed the likely month for the next reduction, with other cuts following steadily in line with MPR months to take Bank Rate down to around 3.75% by the end of 2025.

2.2.8 The US Federal Reserve continued cutting interest rates during the period, reducing the Fed Funds Rate by 0.25% at its December 2024 monetary policy meeting to a range of 4.25%-4.50%, marking the third consecutive reduction. Further interest rate cuts are expected into 2025, but uncertainties around the potential inflationary impact of President-elect Trump's policies may muddy the waters in terms of the pace and magnitude of further rate reductions. Moreover, the US economy continues to expand at a decent pace, suggesting that monetary policy may need to remain more restrictive in the coming months than had previously been anticipated.

2.2.9 The European Central Bank (ECB) also continued its rate cutting cycle, reducing its three key policy rates by 0.25% in December. Euro zone inflation rose above the ECB 2% target in November 2024, hitting 2.2% as was widely expected and a further increase from 2% in the previous month. Inflation is expected to rise further in the short term, but then fall back towards the 2% target during 2025, with the ECB remaining committed to maintaining rates at levels consistent with bringing inflation to target, but without suggesting a specific path.

Financial markets:

2.2.10 Financial market sentiment was generally positive over the period, but economic, financial and geopolitical issues meant the ongoing trend of bond yield volatility very much remained. In the last few months of the period, there was a general rising trend in yields due to upwardly revised interest rate and inflation expectations, causing gilt yields to end the period at substantially higher levels to where they began.

2.2.11 Over the period, the 10-year UK benchmark gilt yield started at 3.94% and ended at a high of 4.57%, having reached a low of 3.76% in mid-September. While the 20-year gilt started at 4.40%, ended at a high of at 5.08% and hit a low of 4.27% in mid-September. The Sterling Overnight Rate (SONIA) averaged 5.01% over the period to 31st December.

Credit review:

2.2.12 In October, Arlingclose revised its advised recommended maximum unsecured duration limit on most banks on its counterparty list to six months. Duration advice for the remaining five institutions, including the newly added Lloyds Bank Corporate Markets, was kept to a maximum of 100 days.

2.2.13 2.2.13 Fitch revised the outlooks on Royal Bank of Scotland, NatWest Markets PLC, and National Westminster Bank to positive from stable, while affirming their long-term ratings at A+.

2.2.14 Moody's upgraded the ratings on National Bank of Canada to Aa2 from Aa3, having previously had the entity on Rating Watch for a possible upgrade. Moody's also upgraded the ratings on The Co-operative Bank to A3 (from Baa3) and downgraded the ratings on Coventry Building Society to A3 (from A2) and Canada's Toronto-Dominion Bank to Aa2 (from Aa1).

2.2.15 S&P also downgraded Toronto-Dominion Bank, to A+ from AA-, but kept the outlook at stable.

2.2.16 Credit default swap prices were generally lower at the end of the period compared to the beginning for the vast majority of the names on UK and non-UK lists. Price volatility over the period also remained generally more muted compared to previous periods.

2.2.17 Financial market volatility is expected to remain a feature, at least in the near term and, credit default swap levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remain under constant review.

2.3 The Oldham Council Treasury Position

2.3.1 On 31 March 2024, the Authority had net borrowing of £113.980m arising from its revenue and capital income and expenditure. This had fallen to a 2424/25 year end projection £107.086m at the end of Quarter 1,and £92.736 at the half year end. A revision of the capital programme and year to date activity forecasts a figure of £107.920m as at 31 December 2024 as reported in Table 1.

2.3.2 The actual and planned level of capital expenditure are the drivers of borrowing for capital purposes. Appendix 1 shows the actual level of capital expenditure at the end of 2023/24 and includes the Q3 forecast for 2024/25, 2025/26 and 2026/27. It also shows the financing sources, including the level of prudential borrowing.

2.3.3 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying resources available for investment. These factors are summarised in Table 1 below and show the Q3 forecast compared to the closing position for 2023/24.

Table 1 – Balance Sheet Summary

	31-Mar-24 Actual £'000	31-Mar-25 Q3 £'000
General Fund CFR	488,980	525,040
Total CFR	**488,980**	**525,040**
Less: Other debt liabilities (PFI)	193,890	188,935
Borrowing CFR	**295,090**	**336,105**
External borrowing	181,110	233,185
Internal borrowing	**113,980**	**102,920**
Less: Usable Balance Sheet Resources	**(132,737)**	**(92,736)**
Less: Working capital	**(17,957)**	**(48,903)**
Net Investments	**(36,714)**	**(38,719)**

2.3.4 Table 1 shows the forecast CFR for 2024/25 is £525.040m, an increase of £36.060m compared to £488.980m at the end of 2023/24. The CFR excluding other debt liabilities relating to Private Finance Initiative schemes is forecast to be £336.105m, an increase of £41.015m compared to the position at the end of 2023/24.

2.3.5 External borrowing is forecast to increase by some £50m to £233m by the end of the financial year. This is well below the CFR meaning the Council is maintaining an under-borrowed position. This indicates that the capital borrowing need (CFR) has not been fully funded with loan debt as cash supporting the Council's reserves, balances, and cash flow has been used as a temporary measure. This strategy has been prudent in recent years as investment returns have been low and counterparty risk is still an issue that needs to be considered.

2.3.6 However, as the Council utilises its reserves to finance annual revenue expenditure, the capacity to do this will diminish and external borrowing will be required. The Council will continue to analyse and assess the market with respect to interest rate forecasts and counterparty risk to determine the optimum time to externally borrow.

2.3.7 The treasury management position as at 30 December 2024 and the change over the year to date is shown in Table 2 below.

Table 2 - Treasury Management Summary

Borrowing/Investment	31.3.24 Balance £'000	Movement £'000	31.12.24 Balance £'000	31.12.24 Average Rate %
Long-term borrowing				
- PWLB	35,241	30,000	65,241	3.40%
- LOBOs	85,500	0	85,500	3.91%
- Other	40,001	0	40,001	4.06%
Short-term borrowing	20,368	14,887	35,255	5.51%
Total borrowing	**181,110**	**44,887**	**225,997**	**0**
Long-term investments	13,354	142	13,496	5.14%
Short-term investments	10,000	(10,000)	-	0.00%
Cash and cash equivalents	13,360	23,915	34,435	5.03%
Total investments	**36,714**	**14,057**	**47,931**	
Net borrowing	**144,396**	**30,829**	**178,065**	

2.3.8 As can be seen in the table above, borrowing has increased by £45m as was expected, and is likely to increase further in line with planned capital expenditure during the latter part of the year. The level of investment has increased £14.057m since the end of the year due to the cash position of the Council. Overall net borrowing has increased by £30.829m

2.4 **Borrowing**

2.4.1 The Authority's chief objective when borrowing has been to strike an appropriate risk balance between securing lower interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective. The Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. At the present time, short term interest rates are higher than long term interest rates.

2.4.2 After substantial rises in interest rates since 2021 many central banks have now begun to reduce their policy rates, albeit slowly. Gilt yields were volatile but have increased overall during the period. Much of the increase has been in response to market concerns that policies introduced by the Labour government will be inflationary and lead to higher levels of government borrowing. The election of Donald Trump in the US in November is also expected to lead to inflationary trade policies

2.4.3 The PWLB certainty rate for 10-year maturity loans was 4.80% at the beginning of the period and 5.40% at the end. The lowest available 10-year maturity rate was 4.52% and the highest was 5.44%. Rates for 20-year maturity loans ranged from 5.01% to 5.87% during the period, and 50-year maturity loans from 4.88% to 5.69%.

2.4.4 Whilst the cost of short-term borrowing from other local authorities spiked to around 7% in late March 2024, primarily due a dearth of LA-LA lending/borrowing activity during that month, as expected shorter-term rates reverted to a more market-consistent range and were generally around 5.00% - 5.5%. Rising rates were seen towards the end of the period in the LA-LA market. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes. The Authority has no new plans to borrow to invest primarily for financial return.

2.4.5 CIPFA's 2021 Prudential Code is clear that Local Authorities must not borrow to invest primarily for financial return and that it is not prudent for Local Authorities to make any investment or spending decision that will increase the capital financing requirement and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority.

2.4.6 Public Works Loan Board (PWLB) loans are no longer available to Local Authorities planning to buy investment assets primarily for yield, unless these loans are for refinancing purposes.

2.4.7 Oldham Council has not invested in assets primarily for financial return or that are not primarily related to the functions of the Council, and it has no plans to do so in future.

2.4.8 There remains a strong argument for diversifying funding sources, particularly if rates can be achieved on alternatives which are below gilt yields + 0.80%. The Authority will evaluate and pursue these lower cost solutions and opportunities with its advisor, Arlingclose.

2.4.9 As at 31 December, Oldham Council held £226m of loans. The Council has undertaken three new borrowings from Public Works Loan Board (PWLB) during the financial year of £15m at 4.54% over 11 years and £10m at 4.45% over 10 years and £15m at 4.79% over 10 years shown in the table below.

Table 3 - Borrowing Position

Borrowing Sources	31.3.24 Balance £'000	Movement £'000	30.12.24 Balance £'000	30.9.24 Weighted Average Rate %	30.12.24 Weighted Average Maturity (years)
Public Works Loan Board	35,241	30,000	65,241	3.40%	14.99
Banks (LOBO)	85,500	-	85,500	3.91%	41.92
Banks (fixed-term)	40,000	-	40,000	4.06%	44.54
Local Authorities (short term)	20,000	15,653	35,653	5.19%	0.00
Local Bonds (long-term)	1	-	1		
Local Bonds (short-term)	22	-	22	0.00%	
Local Charitable Trusts (short-term)	231	2	233	4.90%	
Total borrowing	**180,996**	**45,655**	**226,650**	**0**	

LOBO Loans

2.4.10 Oldham Council continues to hold £85.500m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate and terms, or to repay the loan at no additional cost.

2.4.11 Currently Oldham Council has £34.000m LOBO loans with call dates within the next 12 months. Of this sum, £14.000m is held with Dexia Finance, £10.000m with KBC Bank and the remaining £10.000m split with two other providers, FMS Wertmanagement, and KA Finanz. At the time of writing no call options have been exercised.

2.4.12 Council officers have liaised with treasury management advisors, Arlingclose, over the likelihood of the options being exercised for LOBOs within the loan portfolio. If the option is exercised the Authority plans to repay the loan at no additional cost. If required, the Authority will be required to repay the LOBO loans with available cash or by borrowing from alternative sources or the PWLB. Given the revised interest rate forecasts referred to earlier in this report, the probability of the LOBO options being exercised is reduced but not eliminated.

2.5 Treasury Investment Activity

2.5.1 The CIPFA Treasury Management Code (Dec 21), defines treasury management investments as investments that arise from the Authority's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

2.5.2 As at 31 December 2024, the Council held £34.435m of Money Market Funds, representing income received in advance of expenditure plus balances and reserves held.at the third quarter in the year, the Authority's investment balances ranged between £15.740m and £51.330m due to timing differences between income and expenditure. The investment position is shown in Table 4 below.

Table 4 - Treasury Investment Position

Investment Placements	31 March 2024 Balance £'000	Movement £'000	31-Dec 2024 Balance £'000	31-Dec-24 Income Return %
Government (incl. Local Authorities)	10,000	(10,000)		
Money Market Funds	13,360	21,075	34,435	5.11%
Property Pooled Fund	13,354	142	13,496	5.14%
Total Investments	**36,714**	**11,217**	**47,931**	

2.5.3 Both the CIPFA Code and Government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

2.5.4 As demonstrated by the liability benchmark in this report, the Authority expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different sectors and boost investment income.

2.5.5 The Bank Rate reduced from 5.25% to 5.00% in August 2024, and again to 4.75% in November 2024 with short term interest rates largely being around these levels. The rates on money market rates fluctuated between 4.74% and 5.21% in the same period.

2.5.6 The Council in previous years has invested £15.000m in the Churches, Charities & Local Authorities (CCLA) pooled property fund. As this is a longer-term investment, short term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. This fund is forecast to generate an average total return in 2024/25 of £0.690m, representing 5.14% income return. The current value estimated is £13.496 as at 31 December 2024 as provided by the fund

2.5.7 **Performance**

Occupier and rental markets have remained solid, supporting the income flows which make up a sizeable part of long-term total returns to property investors. Capital markets have continued to be a little subdued but some positivity is being experienced. Sentiment has improved markedly, the market is undoubtably in a more stable place than it was this time last year, and investment opportunities are emerging with a more positive narrative surrounding the macro backdrop and outlook for the property market.

The portfolio is managed actively with the aim of providing a high income and long-term capital appreciation. There is a bias towards industrial assets, and retail warehouses are also well represented, whereas there is little exposure to high street shops. Industrial and retail warehouse assets continue to lead performance with some continued weakness in the office sector.

The fund remains well positioned and has returned good performance against a challenging economic backdrop. The investment market has been turbulent, which has been driven by interest rates not property fundamentals.

2.5.8 **Management activity**

No investment transactions have taken place but management activity featuring lease renewals and rent reviews are protecting income and growing rents. A number of leases were entered into or renewed, supporting occupancy rates and helping to secure future income flows. These include retail warehousing at Beckton Park (London) and Bristol, Office asset at Dartford, and industrial assets near Orpington and Warrington.

2.5.9 **Income/distributions levels**

Against the backdrop of capital valuations, the fund has undertaken management activity which has positively impacted upon income distributions. These have been maintained and at times increased during 2023 and into 2024. Income returns are higher, well supported by occupier market conditions, rental growth and rising income.

The fund's more attractive yield compared to the benchmark *(MSCI/AREF UK other Balanced Open-Ended Property Funds Benchmark)* provides a firm foundation for returns and a decisive performance advantage, especially in periods when capital growth is weaker.

2.5.10 **Outlook**

Investors should continue focusing on the investment fundamentals and high-level trends. The sector will start to provide opportunity for stabilisation and further growth as the financial backdrop settles. The foundation of a high-level of income yield, some rental value growth, a well-placed portfolio structure, and pro-active management activity all combine positively, continuing to support income, enhance asset quality, and add value.

The fund is expected to continue to maintain the high level of income distributions and the outlook for capital valuations is more positive. Reducing interest rates are likely to cause growth in commercial property values. We can anticipate some further improvement in property returns as we move through 2024 and into 2025. The funds approach and strategy remain guided by its philosophy and long-term investment objectives, providing diversification and a high level of income.

2.5.11 The Authority has budgeted income from these investments in 2024/25. Income received for the period up to 31 December 2024 was £0.520m.

2.5.12 The Council's investments have no defined maturity date, but are available for withdrawal after a notice period, but their performance and continued suitability in meeting the Councils medium to long-term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three to five-year period total returns will exceed cash interest rates.

Statutory Override

2.5.13 In April 2023 the Ministry for Housing, Communities and Local Government published the full outcome of the consultation on the extension of the statutory override on accounting for gains and losses on pooled investment funds. A further consultation on the override was included in MHCLG's annual consultation on the provisional local government finance settlement published in December 2024; the consultation closed on 15 January 2025 and outcome expected February 2025. Whether the override will be extended beyond this date is unknown but commentary from both consultations suggest unlikely. The Authority has provided for a loss of up to £2.000m, to mitigate the impact on the revenue budget of the statutory override not being extended and un-realised losses on pooled investment funds are required to be recognised.

2.5.14 The Council's investments continue to generate returns in excess of 5% and there has been no increase in their perceived risk profile. Therefore, there are no immediate plans to dispose of any investments. The Council will continue to review the implications for the investment strategy and in consultation with Arlingclose. Any future Treasury Management Strategies will be revised accordingly.

2.6 Treasury Team Performance

2.6.1 The Treasury Team measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates, as shown in Table 5 below.

Table 5 – Treasury Performance

	Budgeted Performance Rates/Benchmark SONIA Return %	Benchmark SONIA Return % Plus 5%	31.09.24 Income Return % (Actual)
Budgeted Investment Rates	5.17%		5.11%
Overnight SONIA	4.95%	5.20%	5.01%

2.6.2 The budgeted investment rate of 5.17% above included within the annual strategy for 2024/25 was based on the average rate over the full financial year as expectations were for interest rates to decrease from 5.25% during 24/25. The actual rate achieved in the first half of the year broadly in line with this budgeted rate. The total budget for treasury management income for 2024/25 is £1.550m. To date, General Fund income of circa £1.288m has been achieved.

2.7 Minimum Revenue Provision (MRP) Regulations

2.7.1 On 10 April 2024, amended legislation and revised statutory guidance were published on Minimum Revenue Provision (MRP). The majority of the changes take effect from the 2025/26 financial year, although there is a requirement that for capital loans given on or after 7 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.

2.7.2 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).

2.7.3 A revised MRP Policy prepared in conjunction with the Authorities Treasury Management Advisors was presented to and approved at Council 20 January 2025 and future years implications are included within MTFS and were approved at the Budget Council meeting of 6 March 2025.

2.8 Compliance

2.8.1 The Director of Finance reports that all treasury management activities undertaken during the half year complied fully with the principles in the Treasury Management Code and the Authority's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in Table 6 below.

Table 6 - Investment Limits

Investment Limit	Maximum during 2024/25 £'000	Actual Position at 31 December 2024 £'000	Maximum Allowable in 2024/25 £'000	Compliance Yes/No
Any single organisation, except the UK Government	-	-	30,000	Yes
Any group of organisations under the same ownership	-	-	20,000	Yes
Any group of pooled funds under the same management	13,617	13,496	15,000	Yes
Unsecured investments with building societies	-	-	20,000	Yes
Money Market Funds	47,860	34,435	80,000	Yes
Strategic Pooled Funds	13,617	13,496	15,000	Yes

2.8.2 Compliance with the Operational Boundary and Authorised Limit for external debt is demonstrated in Table 7 below.

Table 7 – Operational Boundary and Authorised Limit

Borrowing /Limits	Actual Position at 31 December 2024 £'000	2024/25 Operational Boundary £'000	2024/25 Authorised Limit £'000	Compliance Yes/No
Borrowing	226,650	335,250	350,250	Yes
PFI and Finance Leases	182,387	183,500	186,000	Yes
Total Gross Borrowing / Limit	**415,585**	**518,750**	**536,250**	Yes

2.8.3 The Operational Boundary represents the maximum expected borrowing position for the Council for the year, and was originally set at £518.750m.

2.8.4 The Authorised Limit is the "affordable borrowing limit" required by Section 3 of the Local Government Act 2003 and for 2024/25 was set at £536.250m. Once this has been set, the Council does not have the power to borrow above this level, although it can be revised if required.

2.8.5 Since the Operational Boundary is a management tool for in-year monitoring, it is not significant if the Operational Boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

2.9 Treasury Management Prudential Indicator

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

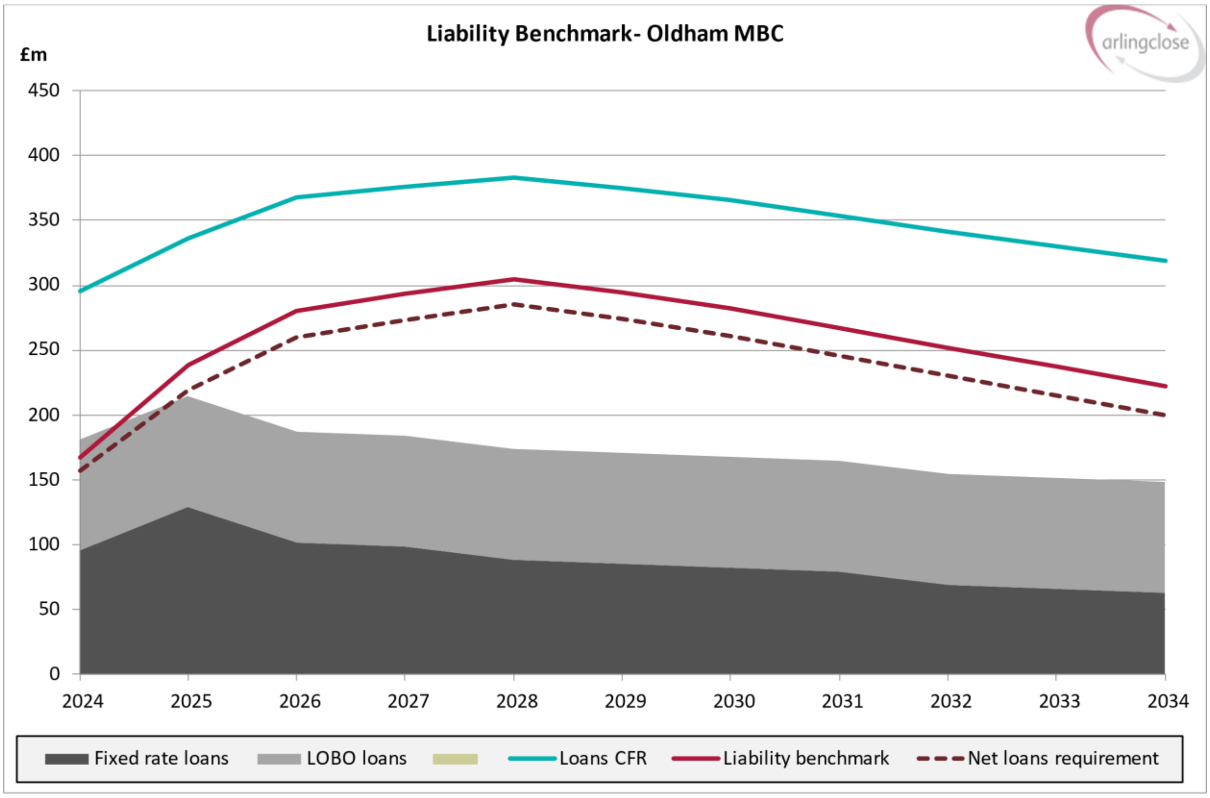
Liability Benchmark

2.8.7 This indicator compares the Authority's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. It represents an estimate of the cumulative amount of external borrowing that the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level of £20.000m, the level required to manage day-to-day cash flow.

Table 9 - Liability Benchmark

	31.3.24 Actual £'000	31.3.25 Estimate £'000	31.3.26 Estimate £'000	31.3.27 Estimate £'000	31.3.28 Estimate £'000
Loans CFR	294,939	336,105	367,859	375,795	382,506
Less: Balance sheet resources	(155,354)	(132,736)	(122,736)	(117,736)	(112,736)
Net loans requirement	**139,585**	**203,369**	**245,123**	**258,059**	**269,770**
Plus: Liquidity allowance	10,000	20,000	20,000	20,000	20,000
Liability benchmark	**149,585**	**223,369**	**265,123**	**278,059**	**289,770**

2.8.8 As demonstrated by the liability benchmark in the table above, the Council expects to be a long-term borrower to finance the expected capital spend. There could be timing differences between when the Council externally borrows compared to when the expenditure is required due to the nature of capital works, but new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different sectors and boost investment income.



Liability Benchmark- Oldham MBC
arlingclose
£m
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350
300
250
200
150
100
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2024
2025
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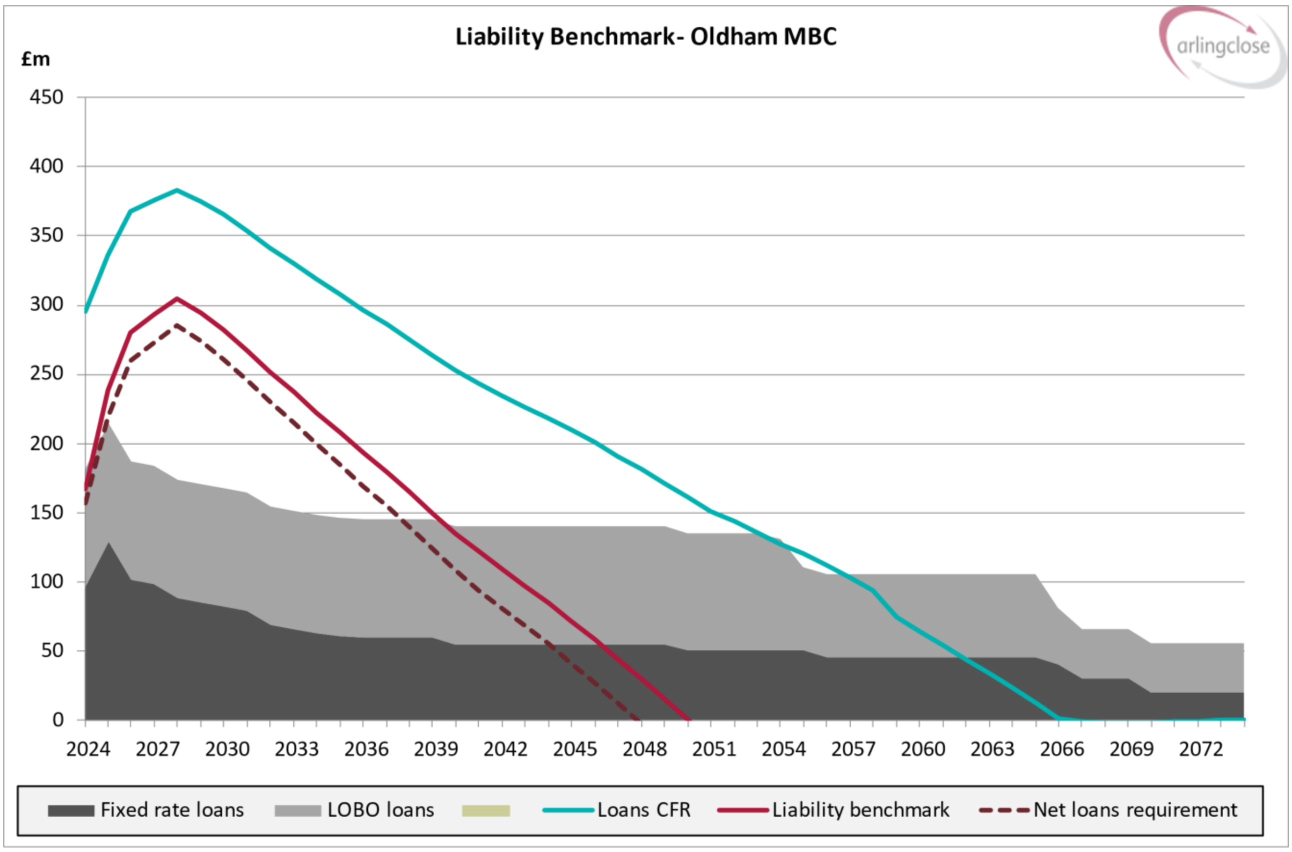
2034
Fixed rate loans
LOBO loans
Loans CFR
Liability benchmark
Net loans requirement



Liability Benchmark- Oldham MBC
arlingclose
£m
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2069
2072
Fixed rate loans
LOBO loans
Loans CFR
Liability benchmark
Net loans requirement

2.8.9 Table 10 below sets out the maturity structure of borrowing at the end of the 3rd quarter of 2024/25 compared to the upper and lower limits set in the Treasury Management Strategy for 2024/25. The indicator is set to control the Authority's exposure to refinancing risk.

Table 10 –Maturity Structure of Borrowing

Borrowing Timeframe	Upper Limit	Lower Limit	31 December 2023 Actual	Compliance Yes/No
Under 12 months	35%	0%	32.78%	Yes
12 months and within 24 months	35%	0%	2.21%	Yes
24 months and within 5 years	35%	0%	21.71%	Yes
5 years and within 10 years	35%	0%	10.07%	Yes
10 years to 20 years	50%	0%	8.86%	Yes
20 years to 30 years	50%	0%	2.21%	Yes
30 years to 40 years	50%	0%	2.21%	Yes
40 years to 50 years	50%	0%	19.93%	Yes
50 years to 60 years	50%	0%	0%	Yes

2.8.10 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment. In the case of LOBO loans, the next option date has been used as the measure to determine if it is potentially repayable.

2.8.11 Long-term Treasury Management Investments

The purpose of the Long-Term Treasury Management indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term Treasury management limits are set out in the table below:

Limit /Actual Investments Exceeding One Year	2024/25	2025/26	2026/27	No fixed date
Limit on principal invested beyond year end	£50m	£50m	£50m	£50m
Actual principal invested beyond year end	£15m	-	-	-
Compliance – Yes/No?	Yes	N/A	N/A	N/A

2.8.12 Long-term investments with no fixed maturity date include strategic pooled funds. For the Council, this is currently the CCLA Property Fund. Long term investments exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term investments.

3 Options/Alternatives

3.1 In order that the Council complies with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management, the Council has no option other than to consider and approve the current Treasury Management position. Therefore, no options/alternatives can be presented in respect of the factual information contained in this report.

4 Preferred Option

4.1 N/A

5 Consultation

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

6 Financial Implications

6.1 All included within the report.

7 Legal Services Comments

7.1 The proposals have been the subject of review by Finance officers and the Council's Treasury Management advisers in order to ensure compliance with the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and statutory guidance on the Minimum Revenue Provision. I am satisfied that the recommended proposals would not be in breach of those regulations or statutory guidance and the preferred option is supported.

(Alex Bougatef – Interim Borough Solicitor and Monitoring Officer)

8 Co-operative Agenda

8.1 The Council ensures that any Treasury Management decisions comply as far as possible with the ethos of the Co-operative Council.

9 Human Resources Comments

9.1 None.

10 Risk Assessments

10.1 There are considerable risks to the security of the Authority's resources if appropriate treasury management strategies and policies are not adopted and followed. The Council has established good practice in relation to treasury management which has previously been acknowledged in both Internal and the External Auditors' reports presented to the Audit Committee.

11 IT Implications

11.1 None.

12 Property Implications

12.1 None.

13 Procurement Implications

13.1 None.

14 Environmental and Health & Safety Implications

14.1 None.

15 Community cohesion disorder implications in accordance with Section 17 of the Crime and Disorder Act 1998

15.1 None.

16 Oldham Impact Assessment Completed (Including impact on Children and Young People)

16.1 No.

17 Key Decision

17.1 No

18 Key Decision Reference

18.1 N/A

19 Background Papers

19.1 The following is a list of the background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents, which would disclose exempt or confidential information as defined by that Act.

File Ref:	Background papers are contained with Appendix 1
Officer Name:	Paula Buckley/James Postle
Email:	paula.buckley@oldham.gov.uk

20 Appendices

Appendix 1 - Prudential and Treasury Indicators

Appendix 1 - Prudential and Treasury Indicators

The Authority measures and manages its capital expenditure borrowing with references to the following indicators.

The following tables shows a summary of the prudential indicators 3rd quarter of 2024/25.

Capital Expenditure

Capital Expenditure/Financing	2023/24 Actual £'000	2024/25 Forecast £'000	2025/26 Budget £'000	2026/27 Budget £'000
Expenditure				
General Fund services	81,147	87,061	105,308	29,474
HRA	64	200	3193	206
Total Capital Expenditure	**81,211**	**87,261**	**108,501**	**29,680**
Financing				
Grants & Contributions	(32,621)	(32,583)	(60,800)	(9,737
Prudential Borrowing	(40,448)	(47,567)	(39,855)	(17,480)
Revenue	(1,606)	(233)	(3,193)	(206)
Capital Receipts	(6,536)	(6,878)	(4,653)	(2,568)
Total Financing	**(81,211)**	**(87,261)**	**(108,501)**	**(34,838)**

Capital Financing Requirement (CFR)

The Authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with [MRP / loans fund repayments] and capital receipts used to replace debt.

Capital Financing Requirement	31 March 2024 Actual £'000	31 March 2025 Forecast £'000	31 March 2026 Budget £000 £'000	31 March 2027 Budget £'000
General Fund Services	488,980	525,040	551,535	554,025
Total CFR	**488,980**	**525,040**	**551,535**	**554,025**

Gross Borrowing and the Capital Financing Requirement

Statutory guidance is that debt should remain below the capital financing requirement, except in the short term. The Authority has complied and expects to continue to comply with this requirement in the medium term as is shown below.

Gross Borrowing /CFR	31 March 2024 Actual £'000	31 March 2025 Forecast £'000	31 March 2026 Budget £'000	31 March 2027 Budget £'000	Debt at 30 September 2024 £'000
Gross Borrowing (incl. PFI & leases)	357,075	412,304	448,799	434,168	415,585
Capital Financing Requirement	488,980	525,040	551,535	523,364	525,040

Debt and the Revised Authorised Limit and Operational Boundary

The Authority is legally obliged to set an affordable borrowing limit (also termed the Authorised Limit for external debt) each year [except in Scotland: and to keep it under review]. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

Debt	Debt at 31 December 2024	2024/25 Half Year Revised Operational Boundary	2024 /25 Half Year Revised Authorised Limit	Compliance? Yes/No
	£'000	£'000	£'000	
Borrowing	226,650	332,250	350,250	Yes
PFI and Finance Leases	182,387	183,500	186,00	Yes
Total Debt	**415,585**	**518,750**	**536,250**	

Since the operational boundary is a management tool for in-year monitoring, it is not significant if the boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

Proportion of Financing Costs to Net Revenue Stream

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans is charged to revenue. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

	2023/24 Outturn £000	2024/25 Forecast £000	2025/26 Budget £000	2026/27 Budget £000	2027/28 Budget £000	2028/29 Budget £000	2029/30 Budget £000
Financing costs	24,124	14,002	17,341	20,068	22,016	22,383	22,836
General Fund	298,906	302,600	321,700	341,346	351,773	363,968	380,746
Proportion of net revenue stream	8.07%	4.63%	5.39%	5.88%	6.26%	6.15%	6.00%

PWLB Rates for Comparison

For context, the changes in interest rates during the quarter were:

	31/3/24	31/12/24
Bank Rate	5.25%	4.75%
1-year PWLB certainty rate, maturity loans	5.36%	5.19%
5-year PWLB certainty rate, maturity loans	4.68%	5.10%
10-year PWLB certainty rate, maturity loans	4.74%	5.40%
20-year PWLB certainty rate, maturity loans	5.18%	5.84%
50-year PWLB certainty rate, maturity loans	5.01%	5.66%

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.

Report to Audit Committee

External Audit – Enquiries of Management, Internal Audit and Those Charged with Governance 2024/25

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

Officer Contact: Fiona Greenway, Interim Executive Director of Corporate Resources.

Report Author: John Miller, Head of Audit and Counter Fraud.

23 July 2025

Reason for Decision

The Audit Committee's Terms of Reference state that:

4.4.2 The Audit Committee shall:
a) be responsible for oversight of the Council's relationship with the External Auditor, including consideration of:
(iv) issues arising from the audit of the Annual Statement of Accounts.

To enable the Council's External Auditor, Forvis Mazars LLP, to carry out duties required under the Local Audit and Accountability Act 2014, the Council is required to provide the auditors with the necessary assurances required under International Standards on Auditing (ISA).

Executive Summary

In carrying out the annual audit of the Council, Forvis Mazars LLP must comply with the International Standards on Auditing (ISA) as adopted by the UK Financial Reporting Council (FRC).

ISA require the auditor to make enquiries of Management, Internal Audit and Those Charged with Governance (TCWG) to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity.

Forvis Mazars LLP has sent two questionnaires setting out their enquiries. The questionnaires, and the Council's proposed responses, are set out at Appendix 1, 2, 3 and 4 as follows:

Appendix 1 – Forvis Mazars Enquiries of Those Charged with Governance (Audit Committee)

Appendix 2 – Audit Committee response to Forvis Mazars Enquiries of Those Charged with Governance

Appendix 3 – Forvis Mazars Enquiries of Those Charged with Governance (Director of Finance)

Appendix 4 – Director of Finance response to Forvis Mazars Enquiries of Those Charged with Governance

Recommendation

That Members of the Audit Committee are asked to consider the attached responses, suggest any amendments they believe are appropriate and to note the Council's responses to the External Auditors, Forvis Mazars LLP.

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M2 3DE

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forvismazars.com/uk

Members of the Audit Committee
Oldham Metropolitan Borough Council
Civic Centre, West Street
Oldham
OL1 1UT

Direct line +44 (0) 161 238 9333
Email yogita.das-patel@mazars.co.uk
Date 3rd April 2025

Dear Councillors,

Audit 2024/25 - understanding those charged with governance processes and arrangements

We are required by auditing standards to maintain a good understanding of the Authority's management processes and arrangements. This enables us to deliver an efficient audit and reduces the time the Authority's staff need to spend responding to auditors' queries. As part of this process, I would be grateful if you could provide a response to the following questions on behalf of the Audit Committee:

- How do you exercise oversight of management's processes in relation to:
    - undertaking an **assessment of the risk that the financial statements may be materially misstated due to fraud or error** (including the nature, extent and frequency of these assessments);
    - identifying and responding to risks of fraud in the Authority, including any specific **risks of fraud** which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;
    - **communicating to employees its view on business practice and ethical behaviour** (for example by updating, communicating and monitoring against the Authority's code of conduct); and
    - communicating to you the processes for **identifying and responding to fraud or error**.
- How do you **oversee management processes** for identifying and responding to the risk of fraud and possible breaches of internal control? Are you aware of any breaches of internal control during 2024/25? If so, please provide details.
- How do you gain assurance that **all relevant laws and regulations have been complied with**? Are you aware of any instances of non-compliance during 2024/25? If so, please provide details.
- Are you aware of any **actual or potential litigation or claims that would affect the financial statements**? If so, please provide details.
- Are you aware of any **actual or potential litigation or claims that would affect the financial statements**? If so, please provide details.
- Have you carried out a **preliminary assessment of the going concern assumption** and if so have you identified any events which may cast significant doubt on the Authority's ability to continue as a going concern? If so, please provide details.

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In addition to the above, which cover the Authority's processes and controls, **Appendix 1 includes further questions to ascertain your views on fraud.** Your responses will inform our assessment of the risk of fraud and error within the financial statements, which in turn determines the extent of audit work undertaken in 2024/25.

I would be grateful if you could respond by letter or email on behalf of the Audit Committee. In the meantime, please don't hesitate to contact me if you wish to discuss anything in relation to this request.

Yours sincerely

Yogita Das-Patel
Audit Manager

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Appendix 1

Question	Answer
1. Are you aware of any actual, suspected or alleged instances of fraud during the period 1 April 2024 - 31 March 2025? (*if yes, please provide details*)	
2. Do you suspect fraud may be occurring within the Council?	
3. Have you identified any specific fraud risks within the Council?	
4. Are you satisfied that internal controls, including segregation of duties, exist and work effectively? (*if yes, please provide details*)	
5. If not where are the risk areas?	
6. How do you encourage staff to report their concerns about fraud?	
7. What concerns about fraud are staff expected to report?	
8. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?	
9. How do you mitigate the risks associated with fraud related to related party relationships and transactions?	
10. Are you aware of any entries made in the accounting records that you believe or suspect are false or intentionally misleading?	
11. Are there particular balances in the accounts where fraud is more likely to occur?	
12. Are you aware of any assets, liabilities or transactions that you believe have been improperly included or omitted from the accounts of the Council?	

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13. Could a false accounting entry escape detection? If so, how?	
14. Are there any external fraud risk factors, such as collection of revenues?	
15. Are you aware of any organisational or management pressure to meet financial or operating targets?	
16. Are you aware of any inappropriate organisational or management pressure being applied, or incentives offered, to you or colleagues to meet financial or operating targets?	
17. What arrangements has the Council put in place in response to the Bribery Act 2010?	

Question	Audit Committee Response
• How do you exercise oversight of management's processes in relation to:	
○ undertaking an **assessment of the risk that the financial statements may be materially misstated due to fraud or error** (including the nature, extent, and frequency of these assessments);	The Committee can advise that the Director of Finance provides regular updates to the Audit Committee on matters relating to the production of the Statement of Accounts. Arrangements are in place for staff within the Finance Team to attend appropriate training courses so that they have up-to-date technical knowledge and skills. The Council has in place a robust quality assurance system to review the accuracy and quality of its accounts. This includes checks to ensure the financial statements are correct and are supported by detailed records. This is supported by the review of fundamental financial systems (FFS), which are audited by the Internal Audit function. These audits include a follow up of previously agreed actions. The findings arising from the financial audits are reported to the Audit Committee on a regular basis and updates are provided against specific areas and/or systems as requested by the Audit Committee. The detailed audit programme, for each financial system, reflects the risk of fraud and error and the Council's External Auditors review the work completed as appropriate. This review contributes to the assessment of the risk of material misstatement. The Annual Report from the Head of Audit and Counter Fraud gives an opinion on the overall control environment and this includes the conclusions from the audit reviews of the financial systems. Audit Committee Members have received training in their role and responsibilities, including their role in reviewing the Authority's Financial Statements most recently through training provided by CIPFA on 3 and 19 June 2024. Further training, based on Member self-assessment of their own knowledge and skills is planned.
○ identifying and responding to risks of fraud in the Council, including any specific **risks of fraud** which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure	The Audit and Counter Fraud (A&CF) Team identifies and responds to the risk of fraud via the on-going review of the A&CF Plan. This is an annual plan based on strategic audit needs assessment, the Fraud Response Plan, and the Fraud and Loss Risk Assessment. This includes the risk of fraud identified by the National Audit Office (NAO) Fraud Advisory Panel, the CIPFA Fighting Fraud and Corruption Locally guidance and the Cabinet Office in their role as lead for the National Fraud Initiative (NFI).

Question	Audit Committee Response
for which a risk of fraud is likely to exist;	The Head of Audit and Counter Fraud ensures that the risk of fraud is highlighted to the Audit Committee the regular service updates submitted to the Audit Committee.
○ **communicating to employees its view on business practice and ethical behaviour** (for example by updating, communicating, and monitoring against the Council's code of conduct); and	The Council's Staff Code of Conduct and its appendices set out the standards expected around a range of matters, including the "Nolan Principles Standards of Public Life", "Gifts and Hospitality", "Disclosure of Information", "Relationships", "Contractors" and "Behaviour during Tendering". The Council's Code of Conduct is available via the Council's Intranet and is included as part of the Council's induction training. The Members Code of Conduct sets out the standards expected from elected Members. Respective Codes of Conduct are regularly reviewed.
○ communicating to you the processes for **identifying and responding to fraud or error**.	The Audit Committee can advise that fraud risks and issues are reported by the Head of Audit and Counter Fraud in the A&CF Plan, the Fraud and Loss Risk Assessment and via regular specific reporting. A suite of updated Counter Fraud policies was presented to, reviewed by and approved by the Council's Audit Committee on 26 March 2024.
• How do you **oversee management processes** for identifying and responding to the risk of fraud and possible breaches of internal control? Are you aware of any breaches of internal control during 2024/25? If so, please provide details.	The A&CF Plan as reported to the Audit Committee includes reviews of management process and controls. The conclusions and actions arising from the audits in the plan, and any ad hoc reviews, are reported to the Audit Committee regularly as part of the summary of Internal Control Matters in each Directorate/Service area. A&CF agree recommendations with managers to improve internal control, which are routinely subject to follow-up. The 2024/25 Annual Report by the Head of Audit and Counter Fraud sets out his opinion to inform the Audit Committee.
• How do you gain assurance that **all relevant laws and regulations have been complied with**? Are you aware of any instances of non-compliance during 2024/25? If so, please provide details	In accordance with the appropriate financial thresholds/scheme of delegation, all reports to the Council's Committees include formal comments from appropriate statutory officers. Internal Audit reviews whether the Council has adhered to relevant legislation and guidance as part of its ongoing audit arrangements and programmes.
• Are you aware of any **actual or potential litigation or claims**	All appropriate and significant matters have been incorporated into the production and review of the Council's AGS.

Question	Audit Committee Response
that would affect the financial statements? If so, please provide details.	As at 31 March 2025, there is no specific matter which is required to be reported upon in the accounts.
• Have you carried out a **preliminary assessment of the going concern assumption** and if so have you identified any events which may cast significant doubt on the Council's ability to continue as a going concern? If so, please provide details.	By compliance with professional standards, the Executive Director of Corporate Resources presents a balanced budget for approval at full Council and prepares the Council's financial statements on the going concern basis of accounting. This confirms the ability of a business to meet its financial obligations when they fall due. The 2024/25 Draft Statement of Accounts sets out that the financial statements are prepared on a going concern basis. Additional reports such as the Reserves Policy are submitted to this Committee to provide additional assurance on the going concern basis. Disclosures are included within the Statement of Accounts based on an assessment of their materiality. A disclosure is considered material if through an omission or a misstatement it would influence the decisions made by users of the accounts. This could be due to the value or the nature of the disclosure. All significant matters affecting the Council are discussed in the Council's AGS and in the Director of Finance' narrative report to the Annual Statement of Accounts. The Committee liaises with the Head of Audit and Counter Fraud and the Director of Finance and can therefore receive specific briefings on the overall financial position of the Council. The Committee can request detailed information on any issues should it have any concerns.

Question		Response
1.	Are you aware of any actual, suspected, or alleged instances of fraud during the period 1 April 2024 – 31 March 2025 (*if 'yes', please provide details*)?	During this period of time there has been no significant (i.e., greater than £10k) corporate (in-house) fraud reported to the Committee, by internal staff, which has required investigation.
2.	Do you suspect fraud may be occurring within the Council?	As at 31 March 2025, the Committee has been assured that all instances of suspected fraud within the organisation have been investigated. The Council is a complex multidisciplinary organisation. The Audit Committee is aware that there is a risk that Officers are unaware of some fraud occurring that they would otherwise bring to the Committee's attention.

Question		Response
		The routine reports to the Audit Committee by the Head of Audit and Counter Fraud on progress against the Annual Audit Plan set out the position on any fraud uncovered.
3.	Have you identified any specific fraud risks within the Council?	Fraud Risks are captured, reported, and monitored by the Audit Committee via the Fraud and Loss Risk Assessment, the Fraud Response Plan, and the FFCL checklist, and fraud risks are routinely assessed for each audit review.
4.	Are you satisfied that internal controls, including segregation of duties, exist and work effectively (*if 'yes', please provide details*)?	In all financial systems for 2024/25, Officers have provided assurance that there are agreed processes to review transactions. There are issues identified in the operation of some systems which have been highlighted to the Audit Committee. Where appropriate, extra audit testing is conducted by Internal and External Audit to provide extra assurance around known issues. Detailed Action Plans are in place, subject to regular follow-up.
5.	If not where are the risk areas?	As above, potential risks and issues are reported in the Council's AGS and Corporate Risk Register, and updates are reported to the Audit Committee on a regular basis. Risks are assessed annually and as part of detailed audit planning. The Council continues to experience budgetary challenges. The Council continues to track the potential risks in this area, as this is clearly an area of management focus. Large Capital Programme projects will also provide additional fraud opportunities in areas such as mandate fraud.
6.	How do you encourage staff to report their concerns about fraud?	The Council's Whistleblowing Policy sets out the arrangements for staff to anonymously report potential concerns and it is included in the Council's Staff Code of Conduct. Following a risk assessment process, the A&CF Team will investigate allegations discretely, agree a course of action and agree recommendations. Where significant issues arise, External Audit will be briefed.
7.	What concerns about fraud are staff expected to report?	The Whistleblowing Policy includes the reporting by employees of suspected misconduct, illegal acts, or failure to act. The aim of the Policy is to encourage employees and others who have

Question		Response
		serious concerns about any aspect of the Council's work to come forward and voice those concerns.
8.	Are you aware of any related party relationships or transactions that could give rise to instances of fraud?	None are recorded. Contract Procedure Rules set out the procedures for procurement and this service is subject to regular review by Internal Audit. No significant issues which will impact the financial statements have been reported in 2024/25.
9.	How do you mitigate the risks associated with fraud related to related party relationships and transactions?	The Council's Contract Procedure Rules set out the procedures for Procurement and this service is subject to review by Internal Audit. Other policies (and internal controls) to mitigate this risk include: • Members' Code of Conduct. • Members' Register of Interests in line with the 2011 Localism Act. • Member's Allowances are disclosed in Notes to the Council's Statement of Accounts. • Officers' Code of Conduct requires staff to record Gifts and Hospitality in accordance with the Code of Conduct. • The Council operates a Standards Committee. • Levying Bodies are subject to a separate external audit process. • The Council is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. These details are included in Note 12 to the Statement of Accounts. In support of this Senior Officers are required to declare interests in companies, organisations, and entities with which the Council may interact in order to ensure transparency.
10.	Are you aware of any entries made in the accounting records that you believe or suspect are false or intentionally misleading?	The Committee is not aware of any entries in the accounting records of this nature. The Committee is assured, supported by past External Audit feedback that the Finance Service applies a detailed quality assurance process, which incorporates independent/ "fresh eye" review prior to submitting its draft Accounts to the External Auditor.

Question		Response
11.	Are there particular balances in the accounts where fraud is more likely to occur?	The balances of Accounts Payable (AP) and Accounts Receivable were reviewed in 2024/25 as part of the yearly FFS programme of audits. The systems for AP are exposed to the potential risk of bank mandate fraud, whereby a “fraudster” contacts the Council to inform them that their bank details have changed, in an attempt to persuade the Council to make the payment to the erroneous account. Staff in the AP service and Procurement team are aware off these risks and apply manual checks to mitigate them.
12.	Are you aware of any assets, liabilities, or transactions that you believe have been improperly included or omitted from the accounts of the organisation?	The Committee not aware of any assets, liabilities, or transactions that have been improperly included or omitted from the accounts of the organisation. The Quality Assurance process in the preparation of the draft financial statements by the Finance Team ensures the detailed review of the draft accounts prior to the submission to the External Auditors.
13.	Could a false accounting entry escape detection? If so, how?	This is considered to be unlikely given the internal and external assurance provided to the Audit Committee of the controls in place for processing transactions. The Council is a complex multidisciplinary organisation so there is a potential risk that management is unaware of some false accounting occurring.
14.	Are there any external fraud risk factors, such as collection of revenues?	During 2024/25, the collection of revenue from Sundry Debtors, Council Tax and Business Rates were reviewed by Internal Audit as part of the fundamental financial systems audits. The external frauds in this area have become more sophisticated as fraudsters use information obtained to test the systems of all Authorities.
15.	Are you aware of any organisational or management pressure to meet financial or operating targets?	The Committee is not aware of any inappropriate organisational or management pressure being applied, or incentives offered, to meet financial or operating targets. Regular budget monitoring is reported to Cabinet and feedback to the Audit Committee indicates reconciliations of key accounts are conducted monthly, and significant variances are investigated.
16.	Are you aware of any inappropriate organisational or management pressure	The Committee is not aware of any inappropriate organisational or management pressure being applied, to meet

Question		Response
	being applied, or incentives offered, to you or colleagues to meet financial or operating targets?	financial or operating targets. The Executive Director of Corporate Resources arranges for monthly budget monitoring to be conducted with service managers and reconciliations of key balances are conducted monthly, and significant variances are investigated.
17.	What arrangements has the Council put in place in response to the Bribery Act 2010?	The Council's intranet includes information on the responsibilities around the Bribery Act 2010 in the Fraud Response Plan. The Staff Code of Conduct sets out the responsibilities for staff re: Bribery and Corruption. As part of the regular review of the suite of Counter Fraud policies the "Counter Fraud, Anti-Bribery Strategy and Counter Fraud Response Plan" was reviewed and revised and approved by the Council's Audit Committee on 26 March 2024.

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Date 3rd April 2025

Dear Fiona,

Audit 2024/25 - understanding management processes and arrangements

We are required by auditing standards to maintain a good understanding of the Authority's management processes and arrangements. This enables us to deliver an efficient audit and reduces the time the Authority's staff need to spend responding to auditors' queries. As part of this process, I would be grateful if you could provide a response to the following questions on behalf of the Audit Committee:

- What processes are in place to:
  - undertake an **assessment of the risk that the financial statements may be materially misstated due to fraud or error** (including the nature, extent and frequency of these assessments);
  - identifying and responding to **risks of fraud**
  - **communicating to employees its view on business practice and ethical behaviour** (for example by updating, communicating and monitoring against the Authority's code of conduct); and
  - **communicate to the Audit Committee the processes for identifying and responding to fraud or error**.
- How does management gain assurance that **all relevant laws and regulations have been complied with?** Have there been any instances of non-compliance during 2024/25?

- Are there any **actual or potential litigation or claims that would affect the financial statements?**

  - **What controls are in place to: identify, authorise, approve, account for and disclose related party transactions and relationships.** For any new related parties (i.e. any not already disclosed in the previous year's audited financial statements) please provide a list of them, explain their nature, and whether there have been any transactions with these related parties during the year to 31 March 2025.

In addition to the above, which cover the Authority's processes and controls, **Appendix 1 includes further questions to ascertain your views on fraud.** Your responses will inform our

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assessment of the risk of fraud and error within the financial statements, which in turn determines the extent of audit work undertaken in 2024/25.

I would be grateful if you could respond by letter or email on behalf of the Audit Committee. In the meantime, please don't hesitate to contact me if you wish to discuss anything in relation to this request.

Yours sincerely

Yogita Das-Patel
Audit Manager

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Appendix 1

Question	Answer
1. Are you aware of any actual, suspected or alleged instances of fraud during the period 1 April 2024 - 31 March 2025? (*if yes, please provide details*)	
2. Do you suspect fraud may be occurring within the Council?	
3. Have you identified any specific fraud risks within the Council?	
4. Are you satisfied that internal controls, including segregation of duties, exist and work effectively? (*if yes, please provide details*)	
5. If not where are the risk areas?	
6. How do you encourage staff to report their concerns about fraud?	
7. What concerns about fraud are staff expected to report?	
8. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?	
9. How do you mitigate the risks associated with fraud related to related party relationships and transactions?	
10. Are you aware of any entries made in the accounting records that you believe or suspect are false or intentionally misleading?	
11. Are there particular balances in the accounts where fraud is more likely to occur?	
12. Are you aware of any assets, liabilities or transactions that you believe have been	

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improperly included or omitted from the accounts of the Council?	
13. Could a false accounting entry escape detection? If so, how?	
14. Are there any external fraud risk factors, such as collection of revenues?	
15. Are you aware of any organisational or management pressure to meet financial or operating targets?	
16. Are you aware of any inappropriate organisational or management pressure being applied, or incentives offered, to you or colleagues to meet financial or operating targets?	
17. What arrangements has the Council put in place in response to the Bribery Act 2010?	

Question	Management Response
• What processes are in place at the Council to:	
○ undertake an **assessment of the risk that the financial statements may be materially misstated due to fraud or error** (including the nature, extent, and frequency of these assessments);	Staff within the Finance Team attend appropriate training courses and have up-to-date technical knowledge and skills to enable them to prepare the financial statements. The Council has in place a robust system to review the accuracy and quality of its accounts. This includes checks to ensure the financial statements are correct and are supported by detailed records. There is also management oversight and review of the accounts. This is supported by the review of fundamental financial systems (FFS), which are audited by the Internal Audit function each year. These audits include a follow-up of previously agreed actions. The detailed audit programme for each financial system reflects the risk of fraud and error and are discussed where required with the Council's External Auditors, who also review the work completed where they deem necessary. The Annual Report from the Head of Audit and Counter Fraud gives an opinion on the overall control environment.
○ identify and respond to **risks of fraud**;	The Audit and Counter Fraud (A&CF) Teams identify and respond to the risk of fraud via the on-going review of the A&CF Plan. This is an annual plan based on strategic audit needs assessment, the Fraud Response Plan, and the Fraud and Loss Risk Assessment. This includes the risk of fraud identified by the National Audit Office (NAO) Fraud Advisory Panel, the CIPFA Fighting Fraud and Corruption Locally guidance and the Cabinet Office in their role as lead for the National Fraud Initiative (NFI).
○ **communicate to employees the Council's views on business practice and ethical behaviour** (for example by updating, communicating, and monitoring against the Authority's code of conduct); and	The Staff Code of Conduct and its appendices set out the standards expected around a range of matters, including the "Nolan Principles Standards of Public Life", "Gifts and Hospitality", "Disclosure of Information", "Relationships", "Contractors" and "Behaviour during Tendering". The Code of Conduct is available via the Council's Intranet and is included as part of the Council's induction training. The Code of Conduct is regularly reviewed.
○ **communicate to the Audit Committee the processes for**	Fraud risks and issues are reported by the Head of Audit and Counter Fraud in the A&CF Plan, the Fraud and Loss Risk Assessment and via regular

Question	Management Response
identifying and responding to fraud or error.	specific reporting, e.g., updates on specific risks in the Council's Annual Governance Statement. A suite of refreshed Counter Fraud policies was presented to, reviewed by, and approved by the Council's Audit Committee on 26 March 2024. Ad hoc matters requiring a report to the Audit Committee are also prepared by the Head of Audit and Counter Fraud as required.
• How does management gain assurance that **all relevant laws and regulations have been complied with?** Have there been any instances of non-compliance during 2023/24?	In accordance with the appropriate financial thresholds/scheme of delegation, all reports to the Council's Committees include formal comments from appropriate statutory officers. Internal Audit reviews whether the Council has adhered to relevant legislation and guidance as part of its ongoing audit arrangements and programmes. Specific training is also arranged by relevant teams, e.g. Legal Services.
• Are there any **actual or potential litigation or claims that would affect the financial statements**?	All appropriate matters have been incorporated into the production and review of the Annual Governance Statement. As at 31 March 2024 there is no specific matter which is required to be reported upon in the accounts. Looking forward the perceived risks in the financial year 2024/25 have been considered and appropriately reported to the Audit Committee by inclusion in the AGS.
• **What controls are in place to: identify, authorise, approve, account for, and disclose related party transactions and relationships.** For any new related parties (i.e., any not already disclosed in the previous year's audited financial statements) please provide a list of them, explain their nature, and whether there have been any transactions with these related parties during the year to 31 March 2024.	The controls in place are: • The separate disclosure Note to the Council's Statement of Accounts "Note 12: Related Parties" (which is subject to audit) sets out the key transactions with all related parties. • Members' Code of Conduct. • Members' Register of Interests in line with the 2011 Localism Act. • Member's Allowances are disclosed in Note 8 to the Council's Statement of Accounts. • Officers' Code of Conduct requires staff to record Gifts and Hospitality in accordance with the Code of Conduct. • Officers' Remuneration is disclosed in Note 9 to the Council's Statement of Accounts. • Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 sets out the relevant information to disclose, together with CIPFA Bulletins on Closure of the 2023/24 Financial Statements. • Internal and External Audit monitor compliance. • The Council operates a Standards Committee. • Levy Bodies are subject to a separate external audit process.

Question		Response
1.	Are you aware of any **actual, suspected, or alleged instances of fraud** during the period 1 April 2024 – 31 March 2025 (*if 'yes', please provide details*)?	During this period of time (excluding business grants administered by the Council), there has been no significant (i.e., greater than £10k) corporate (in-house) fraud committed by internal staff which has required investigation.
2.	Do you suspect fraud may be occurring within the organisation?	As at 31 March 2025 all instances of suspected fraud within the organisation had been investigated. The Council is a complex multidisciplinary organisation so there is a potential risk that management is unaware of some fraud occurring.
3.	Have you identified any specific fraud risks within the Council?	Fraud risks are captured, reported, and monitored via the Fraud and Loss Risk Assessment, the Fraud Response Plan and potential fraud risks are assessed for each audit review.
4.	Are you satisfied that internal controls, including segregation of duties, exist and work effectively (*if 'yes', please provide details*)?	Yes. In all central financial systems for 2024/25 there are agreed processes to review transactions. The Fundamental Financial Systems reviews support this process. Action Plans are in place to address any control deficiencies identified during the FFS reviews and are subject to annual follow-up.
5.	If not where are the risk areas?	As above, potential risks and issues are reported in the Council's AGS, and updates are reported to the Audit Committee on a regular basis. Risks are assessed annually and as part of detailed audit planning. The Council continues to experience significant challenge in social care and, due to the on-going integration with health partners, it continues to track the potential risk around these service areas as this is clearly an area of management focus. Large Capital Programme projects will also provide additional fraud opportunities in areas such as mandate fraud.

Question		Response
		The overarching risks rea for the Council going forward are the challenges identified in connection with the Medium Term Financial Strategy.
6.	How do you encourage staff to report their concerns about fraud?	The Whistleblowing Policy sets out the arrangements for staff to anonymously report potential concerns and it is included in the Staff Code of Conduct. Following a risk assessment process, the Council will investigate allegations discretely, agree a course of action and agree recommendations. Where significant issues arise, External Audit will be briefed.
7.	What concerns about fraud are staff expected to report?	The Whistleblowing Policy includes the reporting by employees of suspected misconduct, illegal acts, or failure to act within the Council. The aim of the Policy is to encourage employees and others who have serious concerns about any aspect of the Council's work to come forward and voice those concerns.
8.	Are you aware of any related party relationships or transactions that could give rise to instances of fraud?	None are recorded. Contract Procedure Rules set out the procedures for procurement and this service is subject to regular review by Internal Audit. No significant issues which will impact the financial statements have been identified in 2024/25.
9.	How do you mitigate the risks associated with fraud related to related party relationships and transactions?	As above, the Council's Contract Procedure Rules set out the procedures for Procurement and this service is subject to review by Internal Audit. Other policies (and internal controls) to mitigate this risk include: • Members' Code of Conduct. • Members' Register of Interests in line with the 2011 Localism Act. • Members' Allowances are disclosed in Note 8 to the Council's Statement of Accounts. • Officers' Code of Conduct requires staff to record Gifts and Hospitality in accordance with the Code of Conduct.

Question		Response
		• The Council operates a Standards Committee. • Levying Bodies are subject to a separate external audit process. • The Council is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. These details are included in Note 12 to the Annual Financial Statements. In support of this Senior Officers are required to declare interests in companies, organisations, and entities with which the Council may interact in order to ensure transparency.
10.	Are you aware of any entries made in the accounting records that you believe, or suspect are false or intentionally misleading?	No, I am not aware of any entries in the accounting records of this nature. The Council applies a detailed quality assurance process which incorporates independent/ "fresh eye" review prior to submitting its draft Accounts to the External Auditor.
11.	Are there particular balances in the accounts where fraud is more likely to occur?	The balances of Accounts Payable (AP), Accounts Receivable were reviewed in 2024/25 as part of the yearly FFS programme of audits. The systems for AP are exposed to the potential risk of bank mandate fraud, whereby a "fraudster" contacts the Council to inform them that their bank details have changed, in an attempt to persuade the Council to make the payment to the erroneous account. Colleagues in the AP service and Procurement team are aware off these risks and apply manual checks to mitigate them.
12.	Are you aware of any assets, liabilities, or transactions that you believe have been improperly included or omitted from the accounts of the organisation?	No, I am not aware of any assets, liabilities, or transactions that I believe have been improperly included or omitted from the accounts of the organisation. The Council's Quality Assurance process ensures the detailed review of the draft accounts prior to the submission to the External Auditors.

Question		Response
13.	Could a false accounting entry escape detection? If so, how?	This is unlikely given the controls in place for processing transactions. The Council is a complex multidisciplinary organisation so there is a potential risk that management is unaware of some false accounting occurring.
14.	Are there any external fraud risk factors, such as collection of revenues?	During 2024/25, Sundry Debtors, Council Tax and Business Rates transactions were sample reviewed by Internal Audit as part of the Fundamental Financial Systems audit, and as part of the National Fraud Initiative. "Fraud" in areas such as SPD is not uncommon and is addressed annually and minimised via these tools.
15.	Are you aware of any organisational or management pressure to meet financial or operating targets?	No, I am not aware of any inappropriate organisational or management pressure being applied, or incentives offered, to myself or to colleagues to meet financial or operating targets. Monthly budget monitoring is conducted with service managers and reconciliations of key balances are conducted monthly, and significant variances are investigated.
16.	Are you aware of any inappropriate organisational or management pressure being applied, or incentives offered, to you or colleagues to meet financial or operating targets?	No, as above, I am not aware of any inappropriate organisational or management pressure being applied, or incentives offered, to myself or to colleagues to meet financial or operating targets. Monthly budget monitoring is conducted with service managers and reconciliations of key balances are conducted monthly, and significant variances are investigated.
17.	What arrangements has the Council put in place in response to the Bribery Act 2010?	The Council intranet includes information on the responsibilities around the Bribery Act 2010 in the Fraud Response Plan. The Staff Code of Conduct sets out the responsibilities for staff re: Bribery and Corruption. As part of the regular review of the suite of Counter Fraud policies the "Counter Fraud, Anti-Bribery Strategy and Counter Fraud Response Plan" was reviewed and revised and approved

Question	Response
	by the Council's Audit Committee on 26 March 2024. These policies are regularly reviewed.

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