Oldham Council

Report to Audit Committee

Treasury Management Quarter One Report 2024/25

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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 quarterly report advises the Audit Committee of the performance of the Treasury Management function of the Council for the first 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 quarter 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 Quarter;
- Treasury Performance for the Quarter;
- Compliance

- Treasury Management Prudential Indicators;

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

Recommendation

That the Audit Committee, considers and comments upon the Treasury Management Quarter One report and the Treasury Management activity and projected outturn and after such consideration, commends the report to Cabinet.

Treasury Management Quarter One Report 2024/25 25 July 2024

1 Background

1.1 The Council operates 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 with low-risk counterparties, 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 This report provides an additional update to that previously received by Members to reflect the` new requirement in the 2021 Code of quarterly reporting on treasury management prudential indicators. The treasury and prudential indicators are also incorporated at Appendix 1 to this report.

2.1.3 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.

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

- An economic update for the first quarter 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 Quarter;
- Compliance
- Treasury Management Prudential Indicators;

2.2 **External Environment Quarter One 2024/25**

Economic background

2.2.1 UK headline consumer price inflation (CPI) continued to decline over the quarter, falling from an annual rate of 3.2% in March to 2.0% in May, in line with the Bank of England's target. The core measure of inflation, however, only declined from 4.2% to 3.5% over the same period, which, together with stubbornly services price inflation at 5.7% in May, helped contribute to the BoE maintaining Bank Rate at 5.25% during the period, a level unchanged since August 2023.

2.2.2 Data released during the period showed that showed the UK economy had emerged from the technical recession at the end of 2023 to expand by 0.7% (upwardly revised from the initial estimate of 0.6%) in the first quarter of the calendar year. Monthly GDP data showed zero growth in April following an expansion of 0.4% in the previous month.

2.2.3 Labour market data continued to provide mixed messages for policymakers, exacerbated by issues the Office for National Statistics is having compiling the labour force survey. In the three months between February and April 2024, unemployment was up, employment fell, while the decline in vacancies slowed and wage growth remained elevated. Unemployment rose to 4.4% (3mth/year) while average regular earnings (excluding bonuses) was 6.0% and total earnings (including bonuses) was 5.9%. Adjusting for inflation, real regular pay rose by 2.3% and total pay by 2.2%. Given how keenly the 'second-round' impact of inflation on wages is watched by the BoE, policymakers will likely want to see more downward movement before cutting interest rates.

2.2.4 Having started the financial year at 5.25%, the Bank of England's Monetary Policy Committee (MPC) maintained Bank Rate at this level throughout the quarter. In line with expectations, at its June meeting, the Committee voted by a majority of 7-2 in favour of maintaining the status quo. The two dissenters preferred an immediate 0.25% reduction in Bank Rate to 5.0%. This continued dovish tilt by the Committee increased financial market expectations that the first cut in Bank Rate will likely be in August.

2.2.5 Earlier in May, in addition to an identical MPC rate decision and voting pattern, the Bank published the latest version of its Monetary Policy Report (MPR). Within the Report, the Committee noted that it expected four-quarter GDP growth to increase over the forecast period, reflecting the declining negative effects of past Bank Rate increases and the predicted downward path of interest rates which should provide support to economic activity. The trajectory of inflation was broadly similar to that in the previous MPR, albeit slightly lower towards the end of the forecast horizon due to the Committee's revised assessment of falling external inflationary pressures from past import price increases. This meant the Committee expected headline inflation to hit the 2% target two quarters sooner than in the February MPR. As was highlighted earlier, inflation data published in June showed that CPI inflation fell to the 2% target in May.

2.2.6 Arlingclose, the authority's treasury adviser, maintained its central view that 5.25% is the peak in Bank Rate and that interest rates will most likely be cut later in the second half of 2024. The risks over the medium term are deemed to be to the upside as while inflation has fallen to target, it is expected to pick up again later in the year and as services price inflation and wage growth are still on the firmer side, the MPC could well delay before delivering the first rate cut.

2.2.7 The US Federal Reserve also maintained interest rates over the period, holding the Fed Funds Rate at 5.25%-5.50% for the seventh consecutive month in June, as was expected. US policymakers have maintained a relatively dovish stance throughout the period but have steadily reduced their predictions around the pace and timing of rate cuts in the face of higher inflation and firmer economic growth. At the meeting, economic projections pointed to one rate cut in calendar 2024 and four in 2025.

2.2.8 The European Central Bank cut rates in June, reducing its main refinancing rate from 4.50% to 4.25%. Inflation in the region fell to 2.5% in May, having increased in the previous month, but since February has been fairly sticky at between 2.4% and 2.6%. Economic growth in the region has picked up but remains weak, and with inflation above the ECB's target this continues put pressure on policymakers on how to balance these factors when setting monetary policy.

Financial markets

2.2.9 Sentiment in financial markets showed signs of improvement over the quarter, but bond yields remained volatile. Early in the period yields climbed steadily, but mixed signals from economic data and investors' constant reassessment of when rate cuts might come caused a couple of fairly pronounced but short lived dips in yields. Towards the end of the quarter yields rose once again and were generally higher than at the start of the period.

2.2.10 Over the quarter, the 10-year UK benchmark gilt yield started at 3.94% and ended at 4.18% having reached 4.41% in May. While the 20-year gilt started at 4.40%, hit 4.82% in May, before ending the period at 4.61%. The Sterling Overnight Rate (SONIA) averaged 5.20% over the quarter to 30th June.

Credit review

2.2.11 Arlingclose maintained its advised recommended maximum unsecured duration limit on all banks on its counterparty list at 100 days.

2.2.12 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 £113.980 arising from its revenue and capital income and expenditure. This had fallen to £107.086m by the end of Quarter 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 Quarter 1 forecast for 2024/25, 2025/26 and 2026/27. It also shows the financing 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.

Table 1 - Balance Sheet Summary

	31/3/24 Actual £000	31/3/2025 Forecast £000
General Fund CFR	488,980	509,355
Total CFR	**488,980**	**509,355**
Less: *Other debt liabilities PFI	193,890	182,387
Borrowing CFR	**295,090**	**326,968**
External borrowing	181,110	219,882
Internal borrowing	113,980	107,086
Less: Usable reserves	(132,737)	(91,474)
Less: Working capital	(17,957)	(39,212)
Net Investments	**(36,714)**	**(23,600)**

2.3.4 Table 1 shows the forecast CFR for 2024/25 is £509.355m, an increase of £20.375m compared to £488.980m at the end of 2023/24. The CFR excluding other debt liabilities relating to Private Finance Initiative schemes is forecast at £326.968m an increase of £31.878m compared to the position at the end of 2023/24.

2.3.5 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.. The Council will continue to analyse and assess the market to determine the optimum time to externally borrow.

2.3.6 The treasury management position as at 30 June 2024 and the change over the quarter is shown in Table 2 below.

Table 2 - Treasury Management Summary

Borrowing/Investment	31.3.24 Balance £'000	Movement £'000	30.06.24 Balance £'000	31.06.24 Average Rate %
Long-term borrowing				
- PWLB	35,241	-	35,241	2.81%
- LOBOs	85,500	-	85,500	4.33%
- Other	40,001	-	40,001	4.03%
Short-term borrowing	20,368	(22)	20,346	5.19%
Total borrowing	**181,110**	**(22)**	**181,088**	
Long-term investments	13,354	(66)	13,288	5.16%
Short-term investments	10,000	(10,000)	-	5.28%
Cash and cash equivalents	13,360	2,900	16,260	4.95%
Total investments	**36,714**	**(7,166)**	**29,548**	
Net borrowing	**144,396**	**7,144**	**151,540**	

As can be seen in the table above, borrowing has remained similar in the first three months of the year. However, borrowing will increase during the year in line with planned capital expenditure. Overall, the level of investments was £7m lower than at the end of 2023/24, principally due to the end of a short- term investment of £10m being partially off-set by an increase in cash and cash equivalents.

2.4 Borrowing

2.4.1 As outlined in the treasury strategy, the Authority's chief objective when borrowing has been to strike an appropriately 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 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.

2.4.3 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.

2.4.4 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.

2.4.5 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.

2.4.6 Policy interest rates have risen substantially since 2021 although they have largely plateaued over the last year. Over the last quarter gilt yields have risen slightly overall, having had a number of peaks and troughs. There has been downward pressure from lower inflation figures, but also upward pressure from unexpectantly positive economic data. Data from the US continues to impact global markets including UK gilt yields.

2.4.7 The PWLB certainty rate for 10-year maturity loans was 4.80% at the beginning of the quarter and 4.96% percent at the end. The lowest available 10-year maturity rate during the quarter was 4.80% and the highest was 5.18%. Rates for 20-year maturity loans ranged from 5.24% to 5.57% during the quarter, and 50-year maturity loans from 5.06% to 5.40%.

2.4.8 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 the month, as expected shorter-term rates reverted to a more normal range and were generally around 5.25% through the quarter.

2.4.9 As at 30 June 2024 Oldham Council held £160.742m of long term loans. There has been no new borrowing undertaken in the first three months of the year so no movement from the position 31 March 2024, as part of its strategy for funding previous years' capital programmes. Outstanding loans on 30 June (borrowing position) are summarised in Table 3 below.

Table 3 - Borrowing Position

Borrowing Sources	31.3.24 Balance £'000	Movement £'000	30.6.24 Balance £'000	30.6.24 Weighted Average Rate %	30.6.24 Weighted Average Maturity (years)
Public Works Loan Board	35,241	-	35,241	2.81%	17.37
Banks (LOBO)	85,500	-	85,500	4.33%	42.67
Banks (fixed-term)	40,000	-	40,000	4.03%	45.30
Local Authorities (short term)	20,000	-	20,000	5.19%	0.00
Local Bonds (long-term)	1	-	1	1.00%	0
Local Bonds (short-term)	22	-	22	0.00%	0
Local Charitable Trusts (short-term)	231	1	233	4.90%	1
Total borrowing	**180,996**	**1**	**180,997**	**0**	

The Authority's short-term borrowing cost at a high rate of 6.6% at the beginning of the year and reducing to a low rate of 5.1% rate of 5.19% for betwe4en 3 and 9 months. The average rate on the Authority's short-term loans as at 30th June 2024 on £20m is 5.19%, this compares with 6.33% on £20m loans at 31st March 2024.

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 With market interest rates having risen, the probability of LOBOs being called has been higher than in the recent past. A total of £25.000m of LOBO loans had annual/semi-annual call option dates during the April-June quarter, however no lender exercised their option.

2.4.12 Currently Oldham Council has £39m LOBO loans with call dates during the remaining nine months of this financial year. Of this sum, £19m is held with Dexia Finance, and the remaining £20m split with three other providers, Danske Bank and KA Finanz and KBC Bank NV. At the time of writing no call options have been exercised.

2.4.13 The Council has a number of Lender Option Borrower Option (LOBO) loans that have a call date during the calendar year. The lender has the option to increase the interest rate when each loan reaches its call date. There may be opportunities to repay the Council's historical LOBO borrowing. The Council will investigate all opportunities including consultation with the councils treasury manager advisors Arlingclose and will ensure any repayments create revenue savings. If required the Authority will repay the LOBO loans with available cash or by borrowing from other local authorities or the PWLB.

2.4.14 Council officers will liaise with treasury management advisors, Arlingclose, over the likelihood of the options being exercised for LOBO's within the loan portfolio. If any 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.

2.5 Treasury Investment Activity

2.5.1 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.

2.5.2 At 30 June, the Council held £29.548m invested funds, representing income received in advance of expenditure plus balances and reserves held. During the first quarter of 2024/25, the Authority's Money Market Funde Investment balances ranged between £15.740m and £47.730m due to timing differences between income and expenditure. The investment position is shown in Table 4 below.

Table 4 - Treasury Investment Position

	31.3.24 Balance £'000	Movement £'000	30.06.24 Balance £'000	31.06.24 Income Return %	30.6.24 Weighted Average Maturity days
Covered bonds (secured)		-			
Government (incl. local authorities)	10,000	(10,000)	0	5.29%	
Money Market Funds	13,360	2,900	16,260	5.23%	
- *Property funds*	13,354	(66)	13,288	5.16%	90
Total investments	**36,714**	**(7,166)**	**29,548**		

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 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 in 2023/24 of £0.518m, 5.16% income return. The current value estimated is £13.288 and a full quarter update is expected by 31st July 2024 and will be included in the next reporting period.

2.5.6 The reliance markets had placed at the beginning of 2024 on rapid declines in inflation, stalling growth and the consequent interest rate cuts in quick succession proved overoptimistic. Core inflation was higher than expected and economic activity was relatively resilient. Central bankers remained cautious and, barring the one 0.25% cut by the European Central Bank, the status quo was maintained for policy rates by the Bank of England and the US Federal Reserve.

2.5.7 It was tough quarter for fixed income investors. Government bonds yields, sensitive to hotter-than-expected inflation data and an improving economic outlook, remained elevated. The higher-for-longer interest rate narrative keeping yields mostly pegged in a narrow range between 4.0% - 4.7%. Escalating geopolitical tensions and the setback in expectations of lower official interest rates and corporate borrowing costs were headwinds for corporate bonds. Combined, these resulted in a drop in capital values of the Authority's bond funds, and, to a lesser extent, the multi-asset funds where there was some offset from better equity performance.

2.5.8 Upbeat earnings data and better economic growth prospects helped global equities perform well during the quarter and supported investor appetite for riskier assets despite stronger than expected inflation and employment data delaying interest rate cuts. US stocks once again performed well although much of the momentum in the S&P 500 in recent months has been derived from the very large concentration in the index of a handful of technology stocks.

2.5.9 UK equities also enjoyed a positive quarter. The FTSE All Share index was buoyed in April by data showing the economy had emerged from the short, shallow recession in 2023. Sterling's weakness against the dollar in April also provided a boost to UK stocks with overseas earnings. The energy, materials and mining sectors gained as the outlook for global manufacturing improved. Healthcare and financial stocks were also supported by good earnings data. The rally faded somewhat with the unexpected announcement in May of a general election in early July.

2.5.10 Dwindling prospects of policy rate cuts weighed on consumer discretionary stocks as well as on the UK real estate sector. Improvement in commercial property capital values was dampened by property's sensitivity to higher interest rates.

2.5.11 The change in the Authority's funds' capital values and income return over the 3-month period is shown in Table 4.

2.5.12 Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority'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

2.5.13 In April 2023 the Department for Levelling Up, Housing and Communities published the full outcome of the consultation on the extension of the statutory override on accounting for gains and losses on pooled investment funds. The override has been extended for 2 years until 31 March 2025, but no other changes have been made; whether the override will be extended beyond the new date is unknown but commentary to the consultation outcome suggests not. The Council will discuss with Arlingclose the implications for the investment strategy and what the future implications will be. Any future Treasury Management Strategies will be revised accordingly.

2.6 Treasury 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%	31.06.24 Income Return % (Actual)
Budgeted Innvestment Rates	5.17%		5.23%
Overnight SONIA	5.20%	5.46%	5.64%

2.6.2 The budgeted investment rate of 5.17% above included within the annual strategy for 2024/24 was based on the average rate over the full financial year as expectations were for a number of interest rate rises to take place during 24/25. The actual rate achieved in the first quarter exceeds this budgeted rate. The total budget for treasury management income for 2024/25 is £1.0m, to date General Fund income of circa £0.3m has been achieved.

2.6.3 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. In a rapidly increasing interest rate environment SONIA can increase quicker than the existing portfolio of investments. This can be shown above as the actual return is slightly higher than the benchmark.

MRP Regulations

2.6.4 On 10th 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 7th May 2024 sufficient MRP must be charged so that the outstanding Capital Financing Requirement (CFR) in respect of the loan is no higher than the principal outstanding less the Expected Credit Loss (ECL) charge for that loan.

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

Compliance

2.6.5 The Director of Finance reports that all treasury management activities undertaken during the quarter 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 Q1 2024/25	30.6.24 Actual	Maximum allowable in 2024/25	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	13,617	13,288	15,000	Yes
Unsecured investments with building societies	-	-	20,000	Yes
Money Market Funds	47,730	31,260	80,000	Yes
Strategic pooled funds	13,617	13,288	15,000	Yes

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

Table 7 – Debt and the Authorised Limit and Operational Boundary

Borrowing /Limits	Actual Position at 30 June 2024 £'000	2024/25 Operational Boundary £'000	2024/25 Authorised Limit £'000	Compliance Yes/No
Borrowing	181,110	312,000	332,000	Yes
PFI and Finance Leases	194,041	196,500	201,500	Yes
Total Gross Borrowing / Limit	**375,151**	**508,500**	**533,500**	Yes

2.6.7 The Operational Boundary represents the expected borrowing position for the Council for the year and was set at £508.500m

2.6.8 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 £533.500m Once this has been set, the Council does not have the power to borrow above this level although it can be revised if required.

2.6.9 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. No breaches have occurred, and it is not anticipated that there will be any breaches in 2024/25.

2.7 Treasury Management Prudential Indicators

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

Liability Benchmark

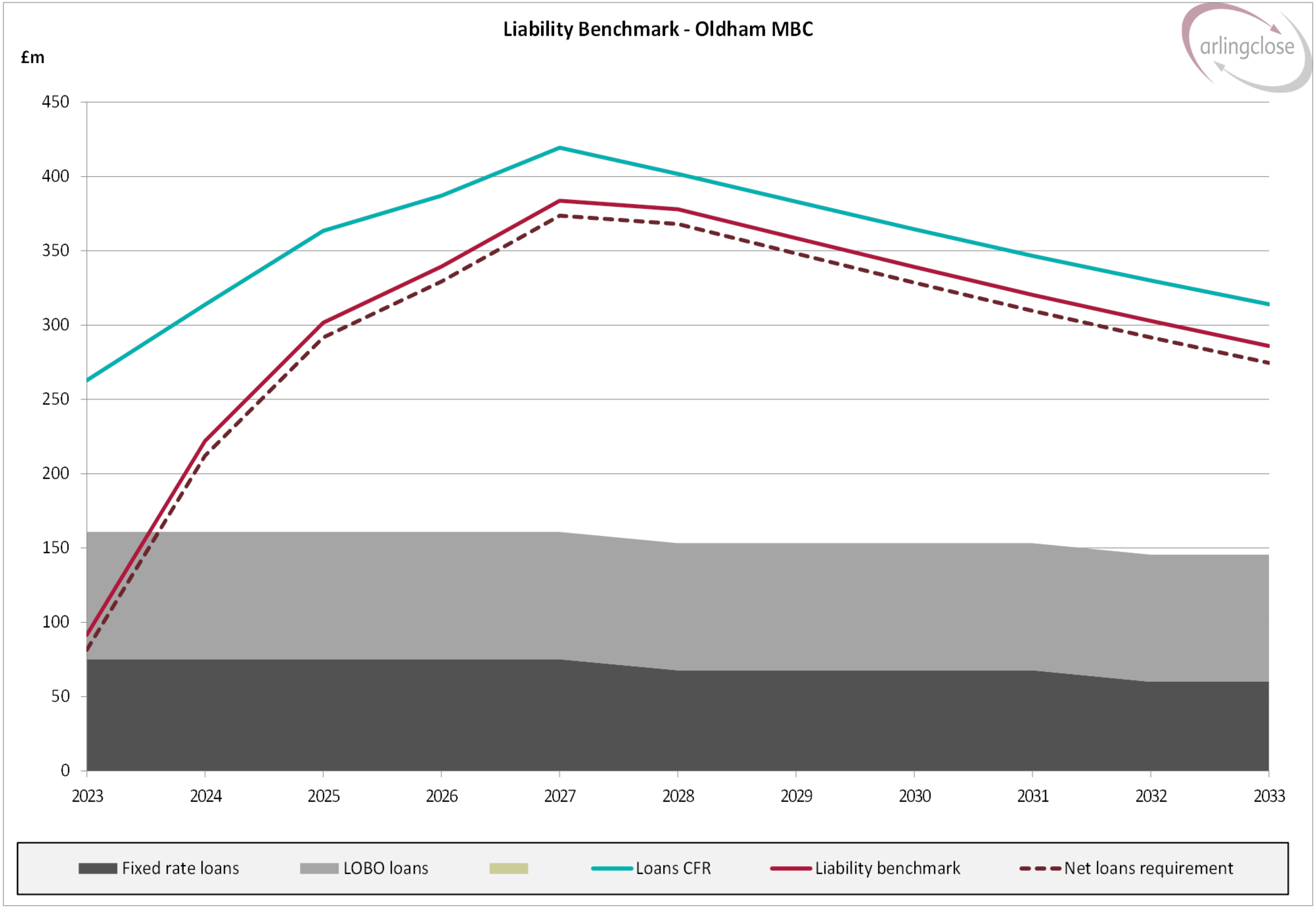
2.7.2 This indicator compares the Authority's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. It represents an estimate of the cumulative amount of external borrowing 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 Forecast £'000	31 March 2026 Forecast £'000	31 March 2027 Forecast £'000
Loans CFR	295,090	326,968	364,201	375,125
Less: Balance sheet resources	132,737	69,736	46,736	31,736
Net loans requirement	162,353	257,232	317,465	343,389
Plus: Liquidity allowance	10,000	20,000	20,000	20,000
Liability benchmark	**172,353**	**277,232**	**337,465**	**363,3890**
Existing /forecast borrowing	**181,110**	**218,020**	**297,465**	**323,389**

2.7.3 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.

2.7.4 Following on from the medium-term forecast above, the long-term liability benchmark assumes capital expenditure funded by borrowing of £43.410 in 2024/25.



Liability Benchmark - Oldham MBC
£m
arlingclose
450
400
350
300
250
200
150
100
50
0
2023
2024
2025
2026
2027
2028
2029
2030
2031
2032
2033
Fixed rate loans
LOBO loans
Loans CFR
Liability benchmark
Net loans requirement

2.7.5 Table 9 below sets out the maturity structure of borrowing at the end of the first quarter 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	30.6.2024	Complied?
Under 12 months	30%	0%	27.37%	Yes
12 months and within 24 months	30%	0%	3.11%	Yes
24 months and within 5 years	30%	0%	27.37%	Yes
5 years and within 10 years	30%	0%	4.82%	Yes
10 years to 20 years	60%	0%	3.11%	Yes
20 years to 30 years	60%	0%	3.11%	Yes
30 years to 40 years	60%	0%	3.11%	Yes
40 years to 50 years	60%	0%	28.00%	Yes
50 years to 60 years	60%	0%	0.00%	Yes

2.7.6 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

2.7.7 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	0	0	0
Complied?	Yes	N/A	N/A	N/A

2.7.8 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 Quarter One Report to the Audit Committee for detailed scrutiny on 25 July 2024 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 None.

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 Equality, community cohesion and crime implications

15.1 None.

16 Equality Impact Assessment Completed?

16.1 No.

17 Key Decision

17.1 Yes

18 Key Decision Reference

18.1

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: James Postle/Paula Buckley

20 Appendix 1 - Prudential and Treasury Indicators

Appendix 1 - Prudential and Treasury Indicators

The following tables shows a summary of the prudential indicators for Quarter 1 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	100,352	80,667	34,838
HRA	64	1,328	95	-
Total Capital Expenditure	**81,211**	**101,680**	**80,762**	**34,838**
Financing				
Grants & Contributions	(32,621)	(50,200)	(28,632)	(6,494)
Prudential Borrowing	(40,448)	(43,410)	(51,353)	(27,851)
Revenue	(1,606)	(1,351)	(95)	-
Capital Receipts	(6,536)	(6,719)	(702)	(493)
Total Financing	**(81,211)**	**(103,748)**	**(80,762)**	**(34,838)**

Capital Financing Requirement (CFR)

Capital Financing Requirement	31 March 2024 Actual £'000	31 March 2025 Forecast £'000	31 March 2026 Budget £'000	31 March 2027 Budget £'000
General Fund Services	488,980	509,355	534,509	533,509
Total CFR	**488,980**	**509,355**	**534,509**	**533,509**

Gross Borrowing and the Capital Financing Requirement

Gross Borrowing /CFR	31 March 2023 Actual £'000	31 March 2024 Forecast £'000	31 March 2025 Budget £'000	31 March 2026 Budget £'000	Debt at 30 June 2024 £'000
Gross Borrowing (incl. PFI & leases)	375,000	379,782	418,481	421,398	375,151
Capital Financing Requirement	488,980	509,355	534,509	533,509	-

Debt and the Authorised Limit and Operational Boundary

Debt	Debt at 30 June 2024	2023/24 1 Quarter Estimate Operational Boundary	2023/24 1 Quarter Estimate Authorised Limit	Compliance? Yes/No
	£'000	£'000	£'000	
Borrowing	181,110	332,000	312,000	Yes
PFI and Finance Leases	193,890	201,500	196,500	Yes
Total Debt	**375,000**	**533,500**	**508,500**	

Proportion of Financing Costs to Net Revenue Stream

Financing Cost/Net Revenue Stream	2023/24 Actual £'000	2024/25 Forecast £'000	2025/26 Budget £'000	2026/27 Budget £'000
Financing costs (£m)	24,124	36,229	38,555	41,907
Proportion of net revenue stream	8.81%	12.08%	12.78%	13.65%