

## **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

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

- 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%
<b>Total Borrowing</b>	<b>181,110</b>	<b>53,707</b>	<b>234,817</b>	
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%
<b>Total Investments</b>	<b>36,714</b>	<b>10,872</b>	<b>47,586</b>	
<b>Net Borrowing (total borrowing less total investments)</b>	<b>144,396</b>		<b>187,231</b>	

- 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
<b>Total Borrowing</b>	<b>181,110</b>	<b>53,707</b>	<b>234,817</b>		

#### 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 Wertmanagement 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%
<b>Total investments</b>	<b>36,714</b>	<b>10,872</b>	<b>47,568</b>	

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 2024 and 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
<b>Total Gross Borrowing / Limit</b>	<b>458,629</b>	<b>518,750</b>	<b>536,230</b>	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**

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

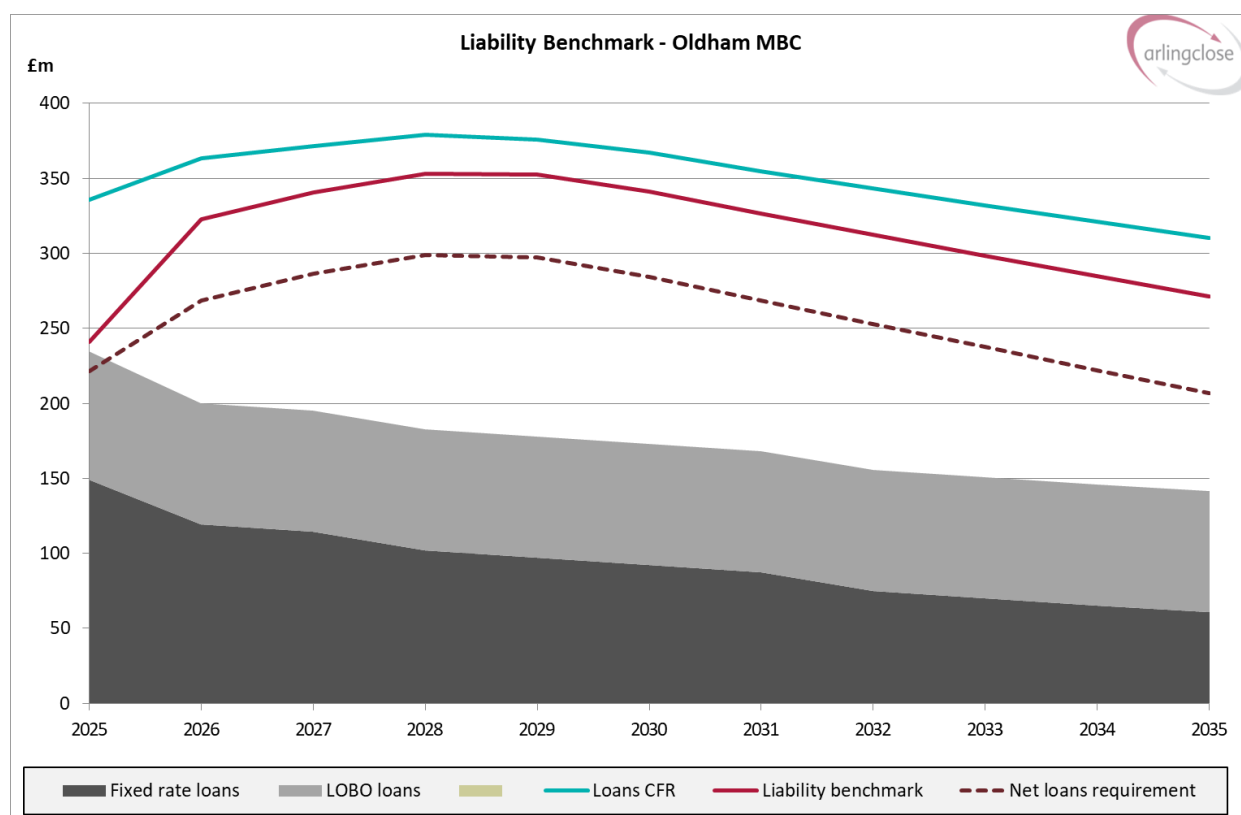
- 2.6.2 This new indicator compares the Authority's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term 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
<b>Net loans requirement</b>	<b>123,922</b>	<b>187,232</b>	<b>237,004</b>	<b>248,665</b>
Plus: Liquidity allowance	20,000	20,000	20,000	20,000
<b>Liability benchmark</b>	<b>143,922</b>	<b>207,232</b>	<b>257,004</b>	<b>268,665</b>
<b>Existing /forecast borrowing</b>	<b>180,110</b>	<b>234,817</b>	<b>237,004</b>	<b>248,665</b>

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 section 17 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 show a summary of the prudential indicators for 2024/25.

### Capital Expenditure

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

### Capital Financing Requirement (CFR)

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

### 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
<b>Total Debt</b>	<b>458,630</b>	<b>565,250</b>	<b>585,250</b>	

### 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%