

Treasury Management Outturn Report 2024/25

1. Introduction

1.1 In February 2011 this Council 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 a treasury management annual report after the end of each financial year.

1.2 After substantial rises in interest rates since 2021, the Bank of England 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 2024 is also expected to lead to inflationary trade policies.

1.3 The Chancellor of the Exchequer delivered her Spring Statement in March 2025, following her Budget in October 2024. Based on the plans announced, the Office for Budget Responsibility downgraded its predictions for UK growth in 2025 from 2% to 1%. 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.

1.4 Having begun the financial year at 5.25%, the Bank of England's Monetary Policy Committee (MPC) reduced Bank Rate by 0.75% to 4.50% by the close of March 2025.

2. Main Points

2.1 Investment and borrowing interest for 2024/25 have produced a net deficit of £63,991 against the revised budget. Borrowing rates in the local authority market increased slightly above budgeted rates in the last quarter of 2024/25, and also the HRA share of debt costs to repay the General Fund fell below the expected level due to significant underspend against the HRA capital programme.

2.2 Pooled Funds have returned dividends that were budgeted at the start of the financial year starting against lower capital values, returned 4.34% against the £7m invested, resulting in over £303k received.

2.3 The capital values of the Pooled Funds realised gains of over £48k for 2024/25.

2.4 The Council had debt of £204.409m as of 31st March 2025 at an average rate of 3.86%.

2.5 All treasury prudential indicators were within their permitted limits for 2024/25.

3. Local Context

3.1 On 31st March 2025, the Authority had net borrowing of £186.716 arising from its revenue and capital expenditure, an increase on 2024/25 of £7.317m. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment.

3.2 The Council's strategy was to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low. The treasury management position as of 31st March 2025 and the year-on-year change is shown in table 1 below.

Table 1: Balance Sheet Summary

	31.3.24 Actual £m	31.3.25 Actual £m
General Fund CFR	114.436	113.377
HRA CFR	89.210	92.714
Total CFR	203.646	206.091
External borrowing	201.326	204.409
Internal (over) borrowing	2.320	1.682
Less: Balance sheet resources	24.247	19.375
Net borrowing	179.399	186.716

3.4 The treasury management position as 31st March 2025 and the change during the year is shown in table 2 below.

Table 2: Treasury Management Summary

	31.3.24 Balance £m	2024/25 Movement £m	31.3.25 Balance £m	31.3.25 Rate %
Long-term borrowing	134.926	16.433	151.359	3.42
Short-term borrowing	66.400	(13.350)	53.050	5.10
Total borrowing	201.326	3.083	204.409	3.86
Long-term investments	16.927	0.766	17.693	4.60
Short-term investments	0	0	0	-
Cash and cash equivalents	5.000	(5.000)	0	-
Total investments	21.927	(4.234)	17.693	4.60
Net borrowing	179.399	7.317	186.716	

3.5 Borrowing Activity as at 31st March 2025, the Council held £204.409m of loans, an increase of £3.083m on the previous year. New borrowing of £38m was taken by the Council from the PWLB in 2024/25 due to opportunities when the gilt market rates reduced to lower than the base rate, reducing the level of temporary borrowing which has attracted rates close to 6%

sometimes over the past three to four years. This enabled the Council to take out three separate loans over periods from one year through to 10 years at rates of 4.30%, 3.97% and 4.77%.

Table 3: Borrowing Position

	31.3.24 Balance £m	2024/25 Movement £m	31.3.25 Balance £m	31.3.25 Rate %
Public Works Loan Board	121.026	34.433	155.459	3.38
Banks (LOBO)	5.000	-	5.000	3.95
Banks (fixed-term)	8.900	-	8.900	3.82
Local authorities (short-term)	66.400	(31.350)	35.050	5.28
Total borrowing	201.326	3.083	204.409	3.86

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

3.9 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 Council. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes.

4. Investment Activity

4.1 The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2024/25 the Council's investment balance ranged between £15.5m and £30m due to timing differences between income and expenditure. The year-end investment position and the year-on-year change in show in table 3 below.

Table 4: Investment Position (Treasury Investments)

	31.3.24 Balance £m	2024/25 Movement £m	31.3.25 Balance £m	Interest Rate %
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Banks & Building Societies	0	0	0	-
Government (inc. Local Authorities)	0	0	0	-
MMF's/Call Accounts	5.000	(5.000)	0	-
Pooled Funds	7.000	0	7.000	4.34
Other Investments	8.850	1.843	10.693	4.81
Total Investments	20.850	(3.157)	17.693	4.60

4.2 £7m of the Council's investments are held in externally managed strategic pooled (bond, equity, multi-asset and property) funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. These funds generated a total return of £303k (4.34%), while the capital value of these funds increased by just £48k, which is treated as an unrealised capital gain. See table 5 below for a breakdown of the individual returns for each fund.

Table 5: Current Pooled Funds

Fund Manager	Investment £	Capital Value as at 31st March 2024 £	Capital Value as at 31st March 2025 £	Dividends Received 2024/25 £	2024/25 Gain/(Loss) £	Gain/(Loss) v Original Investment £
CCLA Property Fund	3,000,000	2,599,135	2,649,166	132,593	50,031	(350,834)
Schroders Income Maximiser Fund	2,000,000	1,535,497	1,640,687	109,901	105,190	(359,313)
CCLA Diversified Income Fund	2,000,000	1,977,682	1,870,964	61,371	(106,718)	(129,036)
Total –current Funds	7,000,000	6,112,314	6,160,817	303,865	48,320	(839,183)

4.5 The nature of these funds is that values can fluctuate from one year to another. Their performance and suitability in meeting the Council's investment objectives are monitored and discussed with Arlingclose on a regular basis. 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 Council's 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.

5. Financial Implications

5.1 The outturn for debt interest paid in 2024/25 was £7.607 million (3.87%) on an average debt portfolio of £196.466 million against a budgeted £7.547 million. A deficit of £148.6k was recorded for the financial year after considering the re-imbursement of £3.211m for the debt associated to the HRA for 2024/25. The reason for the variance is mainly due to the HRA debt charge being lower than budgeted due to the less spend on the HRA capital programme, and higher temporary debt interest costs, as rates, especially towards the last quarter of the financial rose significantly.

5.2 The outturn for investment income received in 2024/25 was £1.415m which equates to a 4.92% return (23/24 – 5.10%) on an average investment portfolio of £21.991 million against a budgeted £1.330m. The General Fund reimbursed the HRA £46k for revenue balances held within investment balances during 2024/25. A General Fund surplus of £84.6k was made on investment income. We were able to hold higher balances within the MMF's for longer periods which resulted in better interest returns, and also due to the HRA Reserves being lower than expected, resulted in less interest being re-paid to the HRA.

5.3 Net loans and investments budget for 2024/25 which also includes leasing and third party loans repayments, was a budgeted cost of £2.917m but made an actual cost return of £3.001m, a deficit of £64k. See table 6 below for a breakdown.

Table 6 – Borrowing and Investment Costs

Borrowing Costs	2024/25 Revised £	2024/25 Actual £	Variance (surplus)/loss £
Temp Borrowing	2,671,745	2,707,060	35,315
LT Borrowing	4,871,938	4,899,951	28,013
HRA Share	(3,296,698)	(3,211,360)	85,338
Total GF Cost	4,246,985	4,395,651	148,666
Investment Income	2024/25 Revised £	2024/25 Actual £	Variance (surplus)/loss £
Pooled Funds	323,600	303,865	19,735
Short term/call	271,036	346,122	(75,086)
Other Loans/Lease	796,496	810,837	(14,341)
HRA Share	(61,000)	(46,017)	(14,983)
Total GF Income	1,330,132	1,414,807	(84,675)
NET COST (Saving)	2,916,853	3,001,127	63,991

6. Compliance Report

6.1 The Council can confirm that it has complied with its Prudential Indicators for 2024/25, which was set in March 2024 as part of the Council's Treasury Management Strategy and

Capital Strategy. In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during 2024/25. None of the Prudential Indicators have been breached and a prudent approach has been taking in relation to investment activity with priority being given to security and liquidity over yield.

The Prudential Indicators include:

- Authorised and Operational Boundary for External Debt
- Average Credit rating
- Upper limits for fixed interest rate exposure and variable interest rate exposure
- Upper limit for total principal sums invested over 364 days.

Table 7: Debt Limits

	2024/25 Maximum £m	31.3.25 Actual £m	2024/25 Operational Boundary £m	2024/25 Authorised Limit £m	Complied
Borrowing	201.326	204.409	290	300	✓

6.2 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. Total debt was never above the operational boundary during 2024/25.

7. Treasury Management Indicators

The Authority measures and manages its exposures to treasury management risks using the following indicators.

7.1 Maturity Structure of Borrowing

This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing were:

Table 8 Maturity structure of borrowing

	31.3.24 Actual	Actual Debt Due	Upper Limit	Lower Limit	Complied
Under 12 months	25.63%	£52.385m	50%	0%	✓
12 months and within 24 months	11.85%	£24.238m	50%	0%	✓
24 months and within 5 years	12.95	£26.471	100%	0%	✓

5 years and within 10 years	17.12%	£34.997m	100%	0%	✓
10 years and above	32.45%	£66.318m	100%	0%	✓

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. The actual maturity percentages for 31st March 2025 are calculated on the debt outstanding of £204.409m.

7.2 Principal Sums Invested for Periods Longer than 364 days

The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

Table 9 Principal invested over 364 days

	2023/24	2024/25	2025/26
Actual principal invested beyond year end	7m	7m	7m
Limit on principal invested beyond year end	10m	10m	10m
Complied	✓	✓	✓