REPORT OF THE SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE AND IMPROVEMENT

TREASURY MANAGEMENT OUTTURN REPORT 2024/25

1. Purpose

To provide a review of the Council's treasury management activities for the year to 31 March 2025.

Information and Advice

2. Background

2.1 Treasury management is defined as 'the management of the council's investments and cashflows; 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'.

2.2 The Council's Treasury Management Strategy is approved annually by Full Council and there is also a mid-year report which goes to Full Council. Responsibility for the implementation, scrutiny and monitoring of treasury management policies and practices is delegated to the *Treasury Management Group*, comprising:

- the Service Director (Finance, Infrastructure & Improvement)
- the Group Manager (Financial Services)
- the Head of Pension Fund Investments
- the Senior Accountant (Financial Strategy & Accounting)
- the Investments Officer.

2.3 During 2024/25, borrowing and investment activities were in accordance with the approved limits as set out in the Council's Treasury Management Policy and Strategy. The main points from this report are:

- All treasury management activities were carried out by authorised officers within the limits agreed by the Council.
- All investments were made to counterparties on the Council's approved lending list.
- Reports have been submitted to Council and the Finance & Major Contracts Management Committee as required.
- The Council's net external borrowing decreased by £10.5m during the financial year.
- Over the course of the year the Council earned 5.04% on its cash balances, compared with the adjusted average Sterling Overnight Index Average (SONIA) rate for 2024/25 which was 4.77%.

3. Outturn Treasury Management Position

3.1 The Council's Treasury Management Strategy and associated policies and practices for 2024/25 were approved in February 2024 by Full Council. The

Service Director (Finance, Infrastructure & Improvement) complied with the Strategy throughout the financial year.

3.2 The Strategy outlined the Council's long-term borrowing for the year. Long-term borrowing is sourced from either the market (including other local authorities) or from the PWLB.

3.3 No immediate borrowing need was identified in the Strategy, whether to (a) fund the capital programme, (b) replenish internal balances, or (c) replace maturing debt. During 2024/25, slippage and higher than expected cash balances further reinforced this position, and so no new loans were taken.

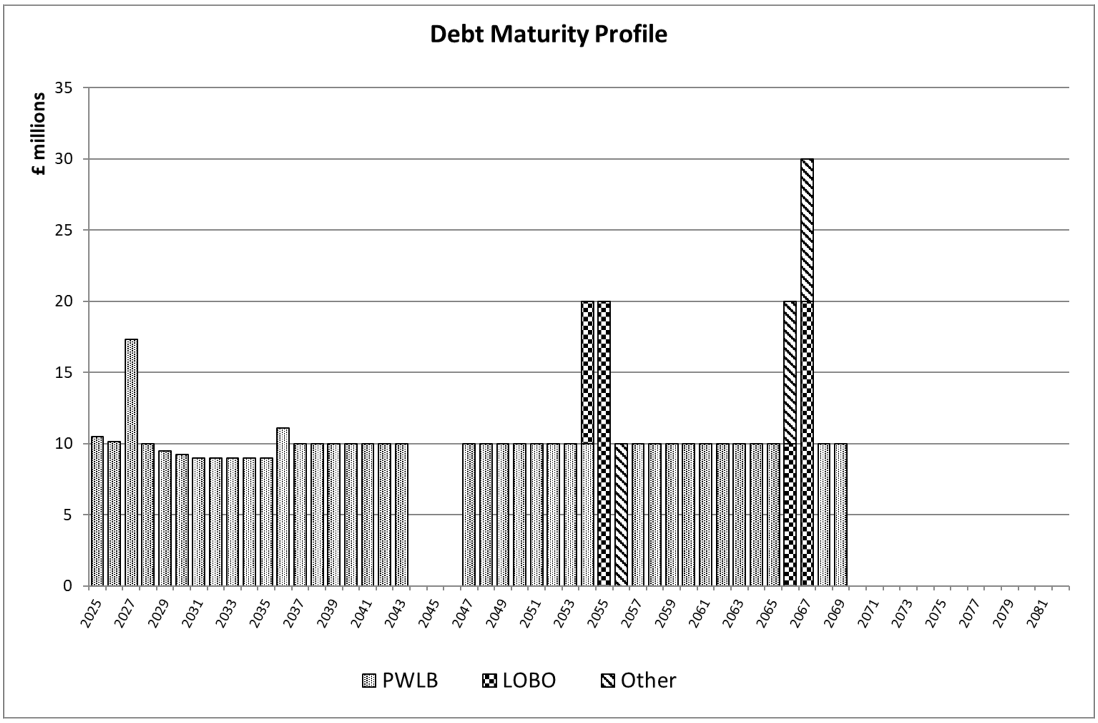
3.4 By 31 March 2025 the Council held some £276m of usable reserves, and together with some £128m of working capital, it is this that forms the basis for all the Council's cash at that date, approximately £404m in total. Reserve balances and working capital each fluctuate according to their respective natures, but a snapshot analysis shows that some £251m of the £404m had been used as temporary 'internal borrowing'. The remaining £153m had been deposited in various Money Market Funds and fixed term maturities.

3.5 A snapshot of the overall position is summarized in Table 1 below.

Table 1: Treasury Position at 31 March 2025	**£m**	**Interest rate**
Capital Financing Requirement	850.0	
Less:		
- Long-term liabilities	-137.0	
- Existing borrowing - PWLB	-372.3	3.72%
- Existing borrowing - LOBO	-60.0	3.85%
- Existing borrowing - Market	-30.0	3.80%
Internal borrowing (A)	**250.7**	
Cash and cash equivalents	83.4	
Fixed investments	70.0	
Investment balances (B)	**153.4**	4.96%
Cash deployed (A+B)	**404.1**	
comprising:		
- Usable reserves	276.0	
- Estimated provisions / working capital	128.1	

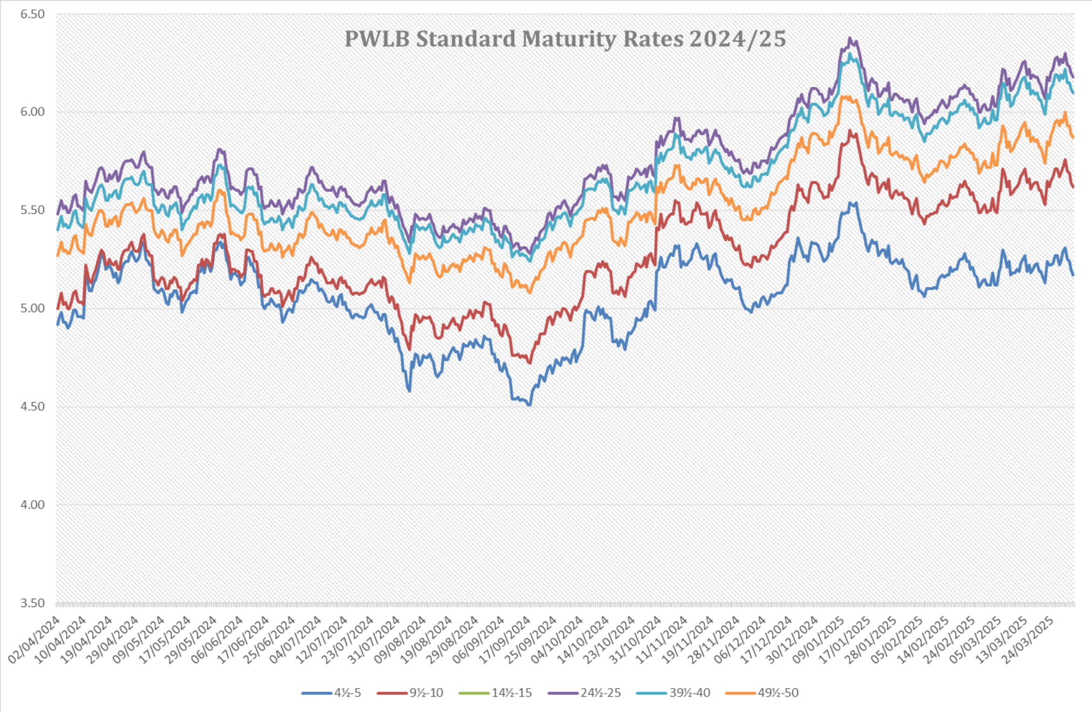
3.6 As and when reserves are required, and as working capital fluctuates, the £251m of internal borrowing must eventually be borrowed from an external source (eg. Public Works Loan Board), as required by the capital programme. This does expose the Council to future interest rate increases (or decreases) and thereby constitutes a risk. However, continuing to make use of temporary internal borrowing also results in lower cash balances deposited with the various banks, building societies and money market funds, and so reduces the Council's exposure to credit risk.

3.7 The chart below shows the Council's debt maturity profile at 31 March 2025. This is spread evenly until 2044, thereby minimising refinancing risk. In this chart it is assumed that the remaining LOBO loans will run to maturity, and not be called (if the lender so chooses) at an earlier date. The average rate on all outstanding external debt at year-end was 3.74% (compared to 3.79% in 2023/24), reflecting the higher rates of the Council's maturing debt.



3.8 The Council has the option of rescheduling its existing PWLB debt. However, the PWLB charges a prohibitive premium on early debt redemptions, so there is no possibility of obtaining savings by such means.

3.9 The movement in PWLB standard maturity rates during 2024/25 is shown in the chart below. This shows that at the start of the year the average maturity loan rate was around 5.25% but this had increased by 0.5% by year-end.



4. Treasury Management Activities 2024/25

4.1 The Council manages its cashflows through borrowing and lending activities on the wholesale money markets. The Council has an approved list of counterparties for investment and aims to achieve the optimum return on investments commensurate with the proper levels of security and liquidity.

4.2 A summary of this activity compared to the previous year is provided in the table below.

	TM activity 2023/24	TM activity 2024/25
	£000	£000
Cash deposits b/f	198,800	228,050
Cash deposits c/f	228,050	153,400
Average balance	251,998	212,709
Interest earned	12,624	10,721
Average return rate	5.01%	5.04%
Adjusted average SONIA rate	4.84%	4.77%

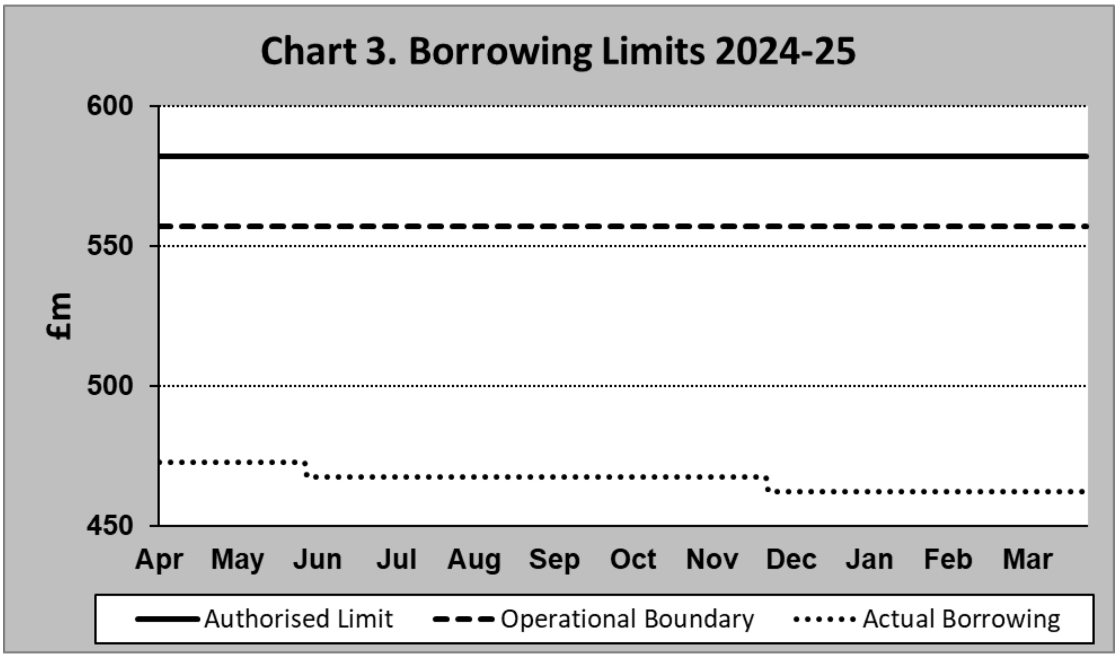
4.3 Interest payable on the Council's external loans over 2024/25 was £17.6m

5. Prudential Indicators for Treasury Management

5.1 The table below shows how the treasury management outturn position compares with the prudential indicators for the year. The objective of these indicators is to manage treasury management risks effectively. No indicators were breached during the year.

TREASURY MANAGEMENT INDICATORS 2024/25	
Authorised Limit for borrowing	£582m
Operational Boundary for borrowing	£557m
Outturn	£462.3m
Upper limit for Rate Exposure – Fixed	100%
Outturn	100%
Upper limit for Rate Exposure – Variable	75%
Outturn	0%
Upper limit for principal sums invested for over 364 days	£20m/15%
Outturn	£0m/0%

5.2 The chart below shows that the level of external borrowing throughout the year was below the key treasury indicators of the authorised limit and the operational boundary, demonstrating that borrowing was well within plan during the year. Further details on these treasury prudential indicators are provided in another appendix.



5.3 The slight downward trend in actual borrowing represents £10.5m of PWLB loans that matured during 2024/25. No other loans were repaid during the year.

5.4 The table below shows how the Council's debt portfolio is managed regarding maturity structure. The aim here is to ensure that the risk of the Council having to replace maturing debt in any one year is minimised, as part of an overall Treasury Management risk strategy.

Maturity structure of fixed rate borrowing	**Approved Lower limit**	**Approved Upper limit**	**24/25 Outturn**
under 12 months	0%	25%	3.4%
12 months and within 24 months	0%	25%	3.7%
24 months and within 5 years	0%	75%	6.1%
5 years and within 10 years	0%	100%	9.6%
10 years and above	0%	100%	77.2%
Adoption of CIPFA's Treasury Management in the Public Services Code of Practice and Cross Sectoral Guidance Notes			Adopted