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AUDIT COMMITTEE

Date: Wednesday, 3 September 2025
Time: 6.00pm,
Location: Council Chamber
Contact: Alex Marsh (01438) 242587
committees@stevenage.gov.uk

Members: Councillors: C Veres (Chair), L Briscoe (Vice-Chair), P Bibby, R Boyle, L Brady, M Humberstone, T Plater, C Roopchand, A Wells and T Wren

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AGENDA

PART 1

1. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

2. MINUTES OF PREVIOUS MEETING

To approve as a correct record the minutes of the meeting held on 3 June 2025.
3 – 10

3. SHARED INTERNAL AUDIT SERVICE - PROGRESS REPORT

To consider the Shared Internal Audit Service - Progress Report.
11 – 22

4. ANNUAL TREASURY MANAGEMENT REVIEW OF 2024/25 INCLUDING PRUDENTIAL INDICATORS

To consider the Annual Treasury Management strategy review of 2024/25.
23 – 42

5. URGENT PART 1 BUSINESS

To consider any Part 1 business accepted by the Chair as urgent.

6. EXCLUSION OF PUBLIC AND PRESS

To consider the following motions –

1. That under Section 100(A) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as described in paragraphs1 – 7 of Part 1 of Schedule 12A of the Act as amended by Local Government (Access to Information) (Variation) Order 2006.

2. That Members consider the reasons for the following reports being in Part II and determine whether or not maintaining the exemption from disclosure of the information contained therein outweighs the public interest in disclosure.

7. Q1 CORPORATE RISK REPORT

To consider the Q1 Corporate Risk Report.

8. URGENT PART II BUSINESS

To consider any Part II business accepted by the Chair as urgent.

Agenda Published 26 August 2025

STEVENAGE BOROUGH COUNCIL

AUDIT COMMITTEE
MINUTES

Date: Tuesday, 3 June 2025
Time: 6.00pm
Place: Council Chamber - Daneshill House, Danestrete

Present:	Councillors:	Carolina Veres (Chair), Lloyd Briscoe (Vice-Chair), Robert Boyle, Leanne Brady, Tom Plater, Ceara Roopchand and Tom Wren
Independent Member:	Syed Uddin	
Start / End Time:	Start Time: 6.00pm End Time: 6.50pm	

1 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies for absence were received from Councillors Phil Bibby and Mason Humberstone.

A declaration of interest was received from Cllr Roopchand who advised the Chair that the External Auditors, Azets, were a member of the Association of Business Recovery Professionals with whom Cllr Roopchand was employed in the capacity of Policy and Public Affairs Manager. Cllr Roopchand remained in the meeting during consideration of the External Audit Plan – Azets item.

2 MINUTES OF PREVIOUS MEETING

At this juncture, the Chair welcomed Cllr Brady and the Assistant Director, Finance, both of whom were attending their first Stevenage Borough Council Audit Committee meeting.

The minutes of the Audit Committee held on 25 March 2025 were approved and signed by the Chair.

3 EXTERNAL AUDIT PLAN - AZETS

The External Auditors, Azets, presented the 2023/24 Auditor’s Annual Report to the Committee.

The Committee heard that the Council was acknowledged as large and complex, with significant investment activity and a substantial Housing Revenue Account (HRA).

The External Auditors advised that this complexity brought an inherently higher volume of risk compared to smaller, rural district councils.

The Committee were informed that no significant weaknesses were identified in the Council’s arrangements and that Senior Management demonstrated a strong understanding of financial risks and appropriate responses.

The External Auditors commented that most risks identified were not due to deficiencies within the Council but were reflective of broader macroeconomic and systemic challenges faced across the local government sector.

The External Auditors highlighted the following areas:

Income Strip Scheme:

- Identified as complex, involving a subsidiary company.
- Acknowledged as underperforming from an accounting perspective.
- Management was aware and had taken steps to mitigate associated risks.

Minimum Revenue Provision (MRP):

- Discussions had been held on whether the calculated MRP, though correctly processed, met long-term resilience thresholds.
- The report recommended a reassessment of sufficiency, despite proper calculation.
- Plans to increase MRP were in place and reflected in the medium-term financial strategy.

The Committee were informed that, from 2024/25 onwards, auditors must report annually to members by 30th November, as required by the updated Code. This would ensure more consistent and timely engagement, regardless of the audit's stage of completion.

The Chair invited the Strategic Director (CF) to address the Committee.

Addressing the MRP, the Strategic Director (CF) advised that the lower MRP percentage in 2023/24 was due to previous overpayments and a 2018/19 review of asset lives, which affected repayment profiles from 2025/26 onward - particularly linked to town square assets.

The Strategic Director (CF) added that £8 million of the debt related to town centre regeneration. The associated income was ring-fenced into a reserve used to fund MRP, ensuring no adverse impact on the General Fund.

The Committee heard that all debt was backed by income-generating assets, and the Council was confident that its position was not at risk.

Addressing the Income Strip Scheme, the Strategic Director (CF) advised the Committee that the scheme was designed as an enabler for wider regeneration and had triggered other investments (e.g., the Forum, Autolus).

The Strategic Director (CF) acknowledged that the asset had underperformed relative to the business plan, due in part to wider challenges in the retail sector—this had already been reported to members.

The Strategic Director (CF) informed Members that the Council had not waited for the audit findings to initiate remedial actions:

- The Strategic Director (CF) had already written to LLP directors instructing them to implement mitigations.
- A Cabinet report due in September 2025 would present further actions being taken and would be brought to the Audit Committee at a future meeting.

The External Auditors, Azets, presented the 2024/25 Audit Plan to the Committee.

The External Auditor advised the Committee that, based on the auditors' assessment, there were no significant weaknesses in management oversight at either the operational or strategic level. This assurance supported the conclusion that management had effective control, irrespective of underlying risks.

The External Auditors outlined the key components of the 2024/25 Audit Plan and explained the application of materiality thresholds, with overall materiality set at 2% of gross expenditure, performance materiality at 65%, and a trivial threshold of £110,000, above which any errors would be reported.

The External Auditors identified several significant risks, including:

- Management override of controls, a mandatory risk under international auditing standards;
- Disclaimed prior year opinions, which prevent assurance over opening balances for 2024/25;
- Valuation risks, specifically around property, plant and equipment (PPE), council dwellings, investment properties, and pension liabilities due to the subjectivity of estimates and assumptions used;
- Complex transactions, notably the accounting treatment of the income strip;
- IFRS 16 implementation, where material impact was not expected but still under review.

Other areas of audit focus included the valuation of debtors, the Minimum Revenue Provision, and the Housing Revenue Account.

The Committee heard that full audit procedures would be undertaken for the Council as parent body, with tailored procedures for its subsidiaries (Queensway Properties LLP, Mashgate plc) and joint ventures.

The External Auditors detailed the "build back" approach necessary to recover from previous years' disclaimed audit opinions. This would involve a phased assurance process:

- Phase 1: Standard current-year audit work providing assurance over in-year activity;
- Phase 2: Targeted testing of key balances back to the last clean opinion;

- Phase 3: Retrospective work on historic reserves and CIS entries, subject to further discussion.

The External Auditors expanded on the audit fees, explaining that while core audit work was covered by the scale fee (including a 3.4% inflationary uplift), additional fees for build back work, IFRS 16 implementation, and disclaimed opinion-related activity were not included. He noted that the Public Sector Audit Appointments (PSAA) body was still reviewing appropriate funding levels, and the government had announced £49 million of additional funding to support councils with this work. A further £15 million had already been distributed to support fee increases to date.

The Chair invited the Strategic Director (CF) to address the Committee.

The Strategic Director (CF) commented on the ongoing challenges facing local authorities in relation to the complexity of statutory accounts. They noted that, despite previous national reviews and recommendations, such as the Redmond Review and assessments by the NAO and FRC, meaningful simplification had not yet been achieved.

The Strategic Director (CF) highlighted the resource implications of current accounting requirements, including the need for costly asset valuations, and questioned whether this represented best value for the taxpayer.

The Committee were advised that local authority accounts remained difficult to interpret and that delays in external audits had resulted in multiple audit years progressing simultaneously. As a result, some recommendations identified in the 2023/24 audit report might not be fully reflected in the near-final 2024/25 accounts.

The Strategic Director (CF) emphasised the significant pressures placed on a small technical team, which currently had two vacancies, and noted the potential risk to meeting the statutory publication deadline of 30 June. Appreciation was expressed to Officers for their work on the Statement of Accounts.

A Member asked whether the uncertainty surrounding future local government reorganisation (LGR), combined with current staffing constraints, was affecting the finance team’s ability to manage ongoing and future work. The Strategic Director (CF) responded that the team was under significant pressure, as they were also responsible for capital monitoring, treasury management, and other technical tasks in addition to the closure of accounts.

The Strategic Director (CF) highlighted that the build-back process would be demanding, particularly as authorities prepared for LGR. The primary risk, they noted, lay in ensuring all accounts were closed and signed off before vesting day, to enable the new authority to have a sound financial foundation. This challenge was shared across all Hertfordshire authorities. The Strategic Director further remarked that although additional national funding had been announced, the local allocation was limited—approximately £26,000.

A Member asked a question regarding the risk of cyber-attacks. The Member emphasised the significant disruption and financial impact such incidents can cause, drawing on experience from their own organisation. In response, the Strategic Director (CF) confirmed that the council had invested approximately £750,000 from Future Councils funding into strengthening cyber security.

The Strategic Director (CF) suggested that the Committee receive a cyber-security update from the Assistant Director (IT) at a future meeting following on from the previous ICT update received in November 2024.

The Committee noted the External Audit Plan 23/24 Report and 24/25 Plan.

4 SIAS ANNUAL ASSURANCE STATEMENT AND INTERNAL AUDIT REPORT 2024/25

Simon Martin, Shared Internal Audit Service (SIAS) presented the report.

Simon Martin summarised the purpose and scope of internal audit activity during the year and highlighted the inclusion of the new Global Internal Audit Standards (GIAS) in the reporting framework.

The Committee heard that the report provided an overview of service performance, quality assurance arrangements, and recent developments, including the expansion of SIAS's client base beyond Hertfordshire.

Members' attention was drawn to the Internal Audit Charter for 2025/26, which had been reviewed and updated to reflect changes required under the new standards, specifically amendments to paragraphs 6.1 and 6.3 concerning access rights and member oversight.

Simon Martin explained that while most of the report was for noting, members were asked to approve the Charter and to seek assurance from management that internal audit's scope and resources had not been unduly constrained during the year.

It was **RESOLVED** that:

- The Annual Assurance Statement and Internal Audit Annual Report 2024/25 be noted.

- The results of the self-assessment required by the Global Internal Audit Standards (GIAS) and the Quality Assurance and Improvement Programme (QAIP) be noted.

- The SIAS Audit Charter 2025/26 be approved.

- Management assurance be sought that the scope and resources for internal audit were not subject to inappropriate limitations in 2024/25.

5 2024/25 ANNUAL GOVERNANCE STATEMENT AND LOCAL CODE OF CORPORATE GOVERNANCE

The Corporate Performance and Improvement Officer presented the report.

The Committee heard that the Local Code of Governance set out how the Council applied the CIPFA/SOLACE good governance principles to its local governance arrangements. The Corporate Performance and Improvement Officer informed the Committee that the local Code of Corporate Governance was reviewed annually and underpinned the Annual Governance Statement.

The Committee heard that the revised document contained no major changes to the content. Most of the updates were to bring up to date the references to the Corporate Plan which was launched in the previous year and Cabinet (as opposed to Executive).

The Corporate Performance and Improvement Officer advised the Committee that the Annual Governance Statement provided an assessment of the Council's governance arrangements. The Committee were advised that the statement built on the report considered at the previous meeting and was informed by the work of the Corporate Governance Group

The Committee heard that the statement gave an overview of the concept and application of a governance framework and included a summary from the Shared Internal Audit Service and referenced the reasonable assurance opinion.

The statement looked at each of the seven principles and provided evidence of compliance and also provided an update on the previous year's actions. Actions identified for 2025/26 had been identified from the review of principles, assessment of strategic risks and feedback from audits and inspections.

The Corporate and Performance Officer informed the Committee that the statement contained three actions relate to housing, showing that as an area of focus.

The Committee heard that emerging themes that were likely to be more prevalent in the document next year included Local Government Reform along with the appointment of the new Chief Executive and subsequent changes to processes.

A Member commented that, in the revised Local Code of Corporate Governance, reference was made to Overview and Scrutiny Committee being recorded and available on YouTube which was no longer the case. Officers responded that Overview and Scrutiny Committee meetings had previously been recorded and that the document would be updated to reflect that this practice had stopped.

It was **RESOLVED** that:

- Members of the Audit Committee approve the changes to the Council's Local Code of Corporate Governance (Appendix 1).

- Members of the Audit Committee recommend the Council's 2024/25 Annual Governance Statement (Appendix 2) for approval by the Statement of Accounts Committee.

6 **URGENT PART 1 BUSINESS**

There was no Urgent Part I Business.

7 **EXCLUSION OF PUBLIC AND PRESS**

It was **RESOLVED**:

1. That, under Section 100(A) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involved the likely disclosure of exempt information as described in paragraphs 1 to 7 of Part 1 of Schedule 12A of the Act, as amended by SI 2006 No. 88.

2. That having considered the reasons for the following item being in Part II, it be determined that maintaining the exemption from disclosure of the information contained therein outweighed the public interest in disclosure.

8 **STRATEGIC RISK REGISTER**

The Corporate Performance and Improvement Officer presented the report.

Members asked a number of questions that were answered by Officers.

The Committee noted the Strategic Risk Register report.

9 **URGENT PART II BUSINESS**

There was no Urgent Part II Business.

CHAIR

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Stevenage Borough Council
Audit Committee

3 September 2025
Shared Internal Audit Service – Progress Report

Recommendations

Members are recommended to:
a) Note the Internal Audit Progress Report
b) Note the Status of Critical, High, and Medium Priority Recommendations

Contents

1 Introduction and Background

Purpose of Report

1.1 To provide Members with:

a) The progress made by the Shared Internal Audit Service (SIAS) in delivering the Council’s 2025/26 Internal Audit Plan to 15 August 2025.
b) The findings for the period 1 April 2025 to 15 August 2025.
c) Details of any changes required to the approved Internal Audit Plan.
d) The implementation status of previously agreed audit recommendations.
e) An update on performance management information to 15 August 2025.

Background

1.2 Internal Audit’s Annual Plan for 2025/26 was approved by the Audit Committee at its meeting on 25 March 2025. The Audit Committee receive periodic updates against the Internal Audit Plan. This is the first update report for 2025/26.

1.3 The work of Internal Audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit function is fulfilling its statutory obligations. It is considered good practice that progress reports also include details of changes to the agreed Annual Internal Audit Plan.

2 Audit Plan Update

Delivery of Internal Audit Plan and Key Audit Findings

2.1 As of 15 August 2025, 23% of the 2025/26 Internal Audit Plan days have been delivered (the calculation excludes contingency days that have not yet been allocated).

2.2 The following final reports have been issued since 1 April 2025:

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Insurance	June 2025	Substantial	Two Advisory
Garages	Aug 2025	Reasonable	Two Medium, One Advisory
Social Housing Decarbonisation Funding (SHDF) Grant	Aug 2025	Unqualified	None

See definitions for the above assurance levels and recommendation priorities at Appendix D.

2.3 The table below summarises the position regarding delivery of the 2025/26 approved projects to 15 August 2025. Appendix A provides a status update on each individual project within the 2025/26 Internal Audit Plan.

Status	**No. of Audits at this Stage**	**% of Total Audits**
Final Report Issued	3	9%
Draft Report Issued	2	6%
In Fieldwork/Quality Review	3	9%
In Planning/Terms of Reference Issued	5	16%
Allocated	5	16%
Not Yet Allocated	14	44%
Cancelled/Deferred	0	0%
Total	**32**	**100%**

Internal Audit Plan Changes

2.4 There has not been any Internal Audit Plan changes since it was approved by this Committee on 25 March 2025.

Critical and High Priority Recommendations

2.5 Members will be aware that a Final Audit Report is issued when it has been agreed (“signed off”) by management; this includes an agreement to implement the recommendations that have been made.

2.6 The schedule attached at Appendix B details any outstanding Critical, High, and Medium priority audit recommendations. Two new Medium Priority recommendations are shown in the schedule. These recommendations are from an audit of Garages.

Performance Management

2.7 The 2025/26 annual performance indicators were approved at the SIAS Board meeting in March 2025.

2.8 The actual performance for Stevenage Borough Council against the targets that can be monitored in year is set out in the table overleaf:

Performance Indicator	Performance Target for 31 March 2026	Profiled Performance 15 Aug 2025	Actual Performance 15 Aug 2025	Notes
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excludes unused contingency)	95%	24%	23%	67.5 days delivered out of the current 295 days planned
2. Planned Projects * – percentage of actual completed projects to draft report stage against planned completed projects by 31 March 2026	90%	19%	16%	5 projects to draft or final report from the 32 planned
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level	90%	100%	100%	Based on the results of the 2 completed questionnaire received (from the 5 issued)
4. Number of High and Critical Priority Audit Recommendations agreed as a percentage	95%	N/A	N/A	No High Priority recommendations have been made during 2025/26

* Based on Audit Plan 'deliverables' at draft and final stage, and items carried forward from 2024/25 that were not at draft report stage by 31 March 2025.

2.9 In addition, the performance targets listed below are annual in nature. Members will be updated on the performance against these targets within a separate Annual Report:

- **5. Annual Plan** – prepared in time to present to the March meeting of each Audit Committee. If there is no March meeting, then the Plan should be prepared for the first meeting of the financial year. This indicator was achieved for 2025/26 as the audit plan for the financial year 2025/26 was presented to the Audit Committee in March 2025.

- **6. Planned Projects** - percentage of actual completed projects to final report stage against planned completed projects.

- **7. Chief Audit Executive's Annual Report** – presented at first 2025/26 meeting of the Audit Committee. This indicator was achieved for 2025/26 as the Client Audit Manager's Annual Report (for 2024/25) was presented to the June 2025 meeting of this committee.

2.10 Whilst Plan delivery is naturally subject to a continued stable establishment and availability of client officers to support audits, we currently report no risks to the delivery of a robust annual assurance opinion.

APPENDIX A - PROGRESS AGAINST THE 2025/26 INTERNAL AUDIT PLAN

2025/26 Internal Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS *				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Key Financial Systems – 74 days									
Business Rates (shared with EHC)						74	No	6	Not Yet Allocated
Council Tax (shared with EHC)							No		Not Yet Allocated
Housing Benefits (shared with EHC)							No		Not Yet Allocated
Treasury Management							No		Not Yet Allocated
Debtors							No		Not Yet Allocated
Creditors							No		Not Yet Allocated
Payroll							No		Not Yet Allocated
Insurance	Substantial	0	0	0	2		Yes		Final Report Issued
Housing Rents							No		Not Yet Allocated
Cash & Banking							No		Not Yet Allocated
Operational Services – 94 days									
Housing Repairs						12	Yes	0.5	In Planning
Building Safety Compliance Checks (x2)						12	Yes	0.5	In Planning
Recycling						10	No	0	Not Yet Allocated
Park & Open Spaces						10	Yes	3	In Fieldwork
Follow Up Audit Provision (x2)						10	Yes	0	Allocated
Housing Register & Allocations						10	Yes	0	Allocated
Building Security						10	Yes	9.5	Draft Report Issued
Damp & Mould						10	Yes	0.5	In Planning
Garages	Reasonable	0	0	2	1	10	Yes	10	Final Report Issued
Corporate Services/Themes – 60 days									
Review of Audit Committee						6	Yes	1.5	ToR Issued
Transformation/Change Management						6	No	0	Not Yet Allocated

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS *				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Risk Management						6	No	0	Not Yet Allocated
Corporate Governance						6	No	0	Not Yet Allocated
SHDF Grant Audit	Unqualified	0	0	0	0	6	Yes	6	Final Report Issued
Equality, Diversity & Inclusion						6	No	0	Not Yet Allocated
Social Media/Communications						8	Yes	0	Allocated
Procurement Act						8	Yes	4	In Fieldwork
Ombudsman Referrals						8	Yes	4	In Fieldwork
IT Audits – 6 days									
Cyber Security – Reliance on Alternative Assurance						6	Yes	0	Allocated
Completion of 2024/25 Projects – 10 days									
Hardware Inventory						10	Yes	9.5	Draft Report Issued
Contingency – 5 days									
Contingency						5		0	Through Year
Strategic Support – 51 days									
Head of Internal Audit Annual Report						3	Yes	3	Complete
Audit Committee & Recommendation Follow Up						12	Yes	1.5	Through Year
Client Engagement & Adhoc Advice						8	Yes	4	Through Year
2026/27 Audit Planning						6	Yes	0	Allocated
SIAS Service Development						10	Yes	0	Through Year
Plan & Progress Monitoring						12	Yes	4	Through Year
SBC TOTAL		**0**	**0**	**2**	**3**	**300**		**67.5**	

* C = Critical Priority, H = High Priority, M = Medium Priority, LA = Low/Advisory Priority

APPENDIX B: IMPLEMENTATION STATUS OF HIGH AND MEDIUM PRIORITY RECOMMENDATIONS

The following appendix provides Audit Committee Members with a summary of the most recent update provided by management in respect of any outstanding critical, high and medium priority recommendations.

No.	Report Title	Recommendation / Original Management Response	Responsible Officer / Original Due Date	Latest management update (or previous commentary where appropriate)	Status of Progress (Aug 2025)
1.	**Garages.**	**Medium Priority Recommendation:** To address audit findings that relate reviewing policies & procedures. We recommend that the Garage Management Services Policies and accompanying internal procedures are reviewed and updated. This should include any documentation that is published on the Council's website so that a consistent approach is accessible to all. We also suggest that this information be reviewed and updated on the Council's website to reflect that it is completed annually. **Agreed Management Actions(s):** Whilst there is a Garage Management Services policy available it is acknowledged this does not have version control or review dates documented despite being updated regularly.	**Responsible Officer:** Garage Manager. **Due Date:** 30/09/2025.	August 2025. New recommendation. The management response opposite is the latest comment.	Not Yet Due.
2.	**Garages.**	**Medium Priority Recommendation:** To address audit findings that relate to policy and procedures. We recommend that the service develop an Enforcement and Recovery Policy or process document outlining a clearly defined procedure for each stage of enforcement and recovery, ensuring alignment with the Garage Management Services Policy and other relevant Council guidance. This policy should be presented to Senior Management for approval and then reviewed annually. Where feasible, an officer should prioritise the daily or weekly follow-up of outstanding debts to help ensure final bills are issued promptly. **Agreed Management Actions(s):** The need for this policy is recognised and will enable garage customers to clearly see the enforcement and recovery process when renting a garage. The back log issuing final bills to former tenants has now been cleared as of 31 July 2025. This will now be actioned weekly moving forward.	**Responsible Officer:** Garage Manager. **Due Date:** 31/10/2025.	August 2025. New recommendation. The management response opposite is the latest comment.	Not Yet Due.

APPENDIX C: INTERNAL AUDIT PLAN 2025/26 – PLANNED AUDIT START DATES

April	May	June	July	August	September
IT Hardware Inventory (c/f from Q4 2024/25) **Draft Report Issued**	**Building Security** **Draft Report Issued**	**Procurement Act** **In Fieldwork**	**Ombudsman Referrals** **In Fieldwork**	**Equality, Diversity & Inclusion** **Not Yet Allocated**	**Building Safety Checks (1)** **In Planning**
Insurance **Final Report Issued**	**Garages** **Final Report Issued**	**SHDF Grant Audit** **Final Report Issued**	**Housing Repairs** **In Planning (c/f from June)**	**Social Media/Communication** **Allocated**	**Recycling** **Not Yet Allocated**
			Parks & Open Spaces **In Fieldwork**	**Follow Up Audit (1)** **Allocated**	**Housing Register & Allocations** **Allocated**
			Review of Audit Committee (c/f from May) **ToR Issued**	**Damp & Mould** **In Planning**	**Cyber Security** **Allocated**

October	November	December	January	February	March
Transformation/Change Management **Not Yet Allocated**	**Business Rates** **Not Yet Allocated**	**Council Tax** **Not Yet Allocated**	**Accounts Receivable** **Not Yet Allocated**	**Accounts Payable** **Not Yet Allocated**	**Building Safety Checks (2)** **In Planning**
Risk Management **Not Yet Allocated**	**Housing Benefits** **Not Yet Allocated**	**Treasury Management** **Not Yet Allocated**	**Payroll** **Not Yet Allocated**	**Housing Rents** **Not Yet Allocated**	
	Cash & Banking **Not Yet Allocated**		**Corporate Governance** **Not Yet Allocated**	**Follow Up Audit (2)** **Allocated**	

APPENDIX D - ASSURANCE / RECOMMENDATION PRIORITY LEVELS

Audit Opinions	
Assurance Level	**Definition**
Assurance Reviews	
Substantial	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
Not Assessed	This opinion is used in relation to consultancy or embedded assurance activities, where the nature of the work is to provide support and advice to management and is not of a sufficient depth to provide an opinion on the adequacy of governance or internal control arrangements. Recommendations will however be made where required to support system or process improvements.
Grant / Funding Certification Reviews	
Unqualified	No material matters have been identified in relation the eligibility, accounting and expenditure associated with the funding received that would cause SIAS to believe that the related funding conditions have not been met.
Qualified	Except for the matters identified within the audit report, the eligibility, accounting and expenditure associated with the funding received meets the requirements of the funding conditions.
Disclaimer Opinion	Based on the limitations indicated within the report, SIAS are unable to provide an opinion in relation to the Council's compliance with the eligibility, accounting and expenditure requirements contained within the funding conditions.
Adverse Opinion	Based on the significance of the matters included within the report, the Council have not complied with the funding conditions associated with the funding received.

Recommendation Priority Levels		
Priority Level		**Definition**
Corporate	**Critical**	Audit findings which, in the present state, represent a serious risk to the organisation, i.e. reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.
Service	**High**	Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.
	Medium	Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.
	Low	Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.

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Part I – Release to Press

Meeting:	**AUDIT COMMITTEE/ CABINET / COUNCIL**	**Agenda Item:**	
Portfolio Area:	Resources and Performance		
Date:	**3 September 2025 / 17 September 2025 / 15 October 2025**		

ANNUAL TREASURY MANAGEMENT REVIEW 2024/25 AND PRUDENTIAL INDICATORS

NON-KEY DECISION

Author – Rhona Bellis
Contributor – Reenu Keogh
Lead Officer – Clare Fletcher
Contact Officer – Clare Fletcher

1 PURPOSE

1.1 Note the annual Treasury Management Report for 2024/25.

1.2 Approve the actual 2024/25 prudential and treasury indicators in this report.

2 RECOMMENDATIONS

2.1 Audit Committee

That, subject to any comments by the Audit Committee to the Cabinet, the 2024/25 Annual Treasury Management Review be recommended to Council for approval.

2.2 Cabinet

That, subject to any comments made by the Audit Committee to the Cabinet, the 2024/25 Annual Treasury Management Review be recommended to Council for approval.

2.3 Council

That, subject to any comments from the Audit Committee and the Cabinet, the 2024/25 Annual Treasury Management Review be approved.

3 BACKGROUND

3.1 Regulatory Requirement

3.1.1 The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2024/25. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

3.1.2 During 2024/25 the minimum reporting requirements were that the Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 21 February 2024)
- a mid-year treasury update report (Council 18 December 2024)
- an annual review following the end of the year describing the activity compared to the strategy (this report).

3.1.3 In addition the Prudential Indicators update at Q1 was reported to Cabinet in the Revenue and Capital Monitoring report – General Fund and HRA Q1, 18 September 2024.

3.1.4 In December 2017, CIPFA revised the Code to require, all local authorities to report on:

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed; and
- the implications for future financial sustainability.

These elements are covered in the annual Capital Strategy reported to Council in February each year.

3.1.5 The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Members.

3.1.6 This report summarises:

- Capital activity during the year;
- Impact of this activity on the Council's underlying indebtedness (the Capital Financing Requirement);
- The actual prudential and treasury indicators;
- Overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances;
- Summary of interest rate movements in the year;
- Detailed debt activity; and

- Detailed investment activity.

3.1.7 Officers confirm that they have complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Audit Committee and the Cabinet before they were reported to the Council.

3.1.8 Member training on treasury management issues was undertaken during the year on 26 November 2024 in order to support members' scrutiny role.

3.2 Executive Summary

3.2.1 During 2024/25, the Council complied with its legislative and regulatory requirements as outlined in paragraph 3.1.1 above. These requirements include:

- The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

- 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 that 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. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

3.2.2 The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Table 1

Prudential and treasury indicators £000	31/3/2024 Actual	2024/25 Original Budget	31/03/2025 Actual
Capital expenditure			
GF	8,880	33,558	13,347
HRA	37,568	54,831	31,074
Total	**46,448**	**88,389**	**44,421**
Capital Financing Requirement			
GF	58,643	63,370	61,998

Prudential and treasury indicators £000	31/3/2024 Actual	2024/25 Original Budget	31/03/2025 Actual
HRA	272,384	284,060	272,356
Total	**331,027**	**347,430**	**334,354**
Gross borrowing[1]	**242,057**	**291,063**	**254,057**
Investments			
Longer than 1 year	0	0	0
Under 1 year	25,202	42,151	46,132
Total	25,202	42,151	46,132
Net borrowing	**216,855**	**250,125**	**227,057**

3.2.3 There was reprofiling of planned capital expenditure from 2024/25 into future years resulted in an overall reduction in the use of borrowing to finance capital expenditure. Not all capital expenditure is funded from borrowing so the reduction in the capital financing requirement (the councils need to borrow) does not match the reduction in capital expenditure.

3.2.4 Other prudential and treasury indicators are to be found in the main body of this report. The Chief Finance Officer also confirms that borrowing (internal and external) was only undertaken for a capital purpose and the statutory borrowing limit (the authorised limit) was not breached.

3.2.5 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the year the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2024/25.

3.2.6 All treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices.

4 THE COUNCIL'S CAPITAL EXPENDITURE AND FINANCING

4.1.1 Capital expenditure[2] can be financed either by capital resources the Council has on its balance sheet (e.g. capital receipts and capital grants) or by making a revenue contribution to capital. If sufficient capital resources are not available to fund the expenditure the Council would need to borrow to meet the funding gap. This borrowing may be taken externally in new loans or internally from cash balances held by the Council. The need to borrow is measured and reported through the Prudential Indicators.

[1] Excludes Finance Leases

[2] Council expenditure can be classified as capital when it is used to purchase assets with a life of more than one year, exceeds £10,000 in value and meets the guidelines laid out in CIPFA accounting practices.

4.1.2 The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

Table 2

Capital Expenditure and Financing £000	2023/24 Actual	2024/25 Original Budget	2024/25 Actual
General Fund			
Capital Expenditure:	8,880	33,558	13,347
Financed excluding borrowing	(4,700)	(32,492)	(9,167)
Unfinanced capital expenditure (borrowing)	**4,180**	**1,066**	**4,060**
HRA			
Capital Expenditure:	37,569	54,831	31,074
Financed excluding borrowing	(29,722)	(46,644)	(31,074)
Unfinanced capital expenditure (to be met from borrowing)	**7,847**	**8,187**	**-**

4.2 THE COUNCIL'S OVERALL BORROWING NEED

4.2.1 The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR). It represents the amount of debt it needs to/has taken out to fund the capital programme (and includes both internal and external borrowing). The CFR is then reduced as debt repayments are made, and Minimum Revenue Provisions are made. A separate CFR is calculated for the General Fund and Housing Revenue Account and any transfers of assets (such as land or buildings) between the two accounts will impact on each fund's CFR. The CFR will go up on the fund "receiving" the assets and go down (by the same amount) on the fund "giving" the asset. There were no transfers of assets in 2024/25.

4.2.2 Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies, (such as the Government, through the Public Works Loan Board [PWLB], or the money markets), or utilising temporary cash resources within the Council.

4.2.3 Reducing the CFR – the Council's (non HRA) underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This is effectively a repayment of the non-Housing Revenue Account (HRA) borrowing need, (there is no statutory requirement to reduce the HRA CFR). This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

4.2.4 The total CFR can also be reduced by:

- the application of additional capital financing resources, (such as unapplied capital receipts); or
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

4.2.5 The Council's 2023/24 Minimum Revenue Provision Policy (MRP), as required by MHCLG Guidance, was approved as part of the Treasury Management Strategy Report for 2024/25 on 21 February 2024.

The MRP charged to the General Fund in 2024/25 was £453,961 of which:

- £35,119 is funded from investment property
- £41,000 if funded by the new multi storey car park (Railway North)
- £128,261 is funded by the Garage Improvements Programme
- £130,703 is a net cost to the General Fund
- £118,878 charged for improvements to leisure facilities

4.2.6 The Council's CFR for the year is shown below and represents a key prudential indicator. It includes finance leases included on the balance sheet, which increase the Council's borrowing need. No borrowing is actually required against these schemes as a borrowing facility is included in the contract.

Table 3

CFR £000	31/03/2024 Actual	2024/25 Q3 Budget	31/03/2025 Actual
General Fund			
Opening balance	55,513	58,643	58,643
Add: unfinanced capital expenditure (as above)	4,180	5,375	4,060
Increase in finance lease obligations	-	-	1,121

CFR £000	31/03/2024 Actual	2024/25 Q3 Budget	31/03/2025 Actual
Less:			
Unfinanced capital expenditure from prior years now financed	(418)	(11)	(11)
Repayment of external borrowing	-	(1,000)	(1,000)
MRP / VRP	(374)	(454)	(454)
Finance lease repayments	(258)	(361)	(361)
Closing balance	**58,643**	**62,192**	**61,998**
Closing balance excluding finance lease	**42,160**	**46,078**	**44,762**
CFR (£000): HRA			
Opening balance	264,537	272,384	272,384
Add: Unfinanced capital expenditure (as above)	7,847	-	-
Finance lease repayments	-	-	(28)
Closing balance	**272,384**	**272,384**	**272,356**
Closing balance excluding finance lease[3]	**271,051**	**271,051**	**271,051**

4.2.7 Borrowing activity is constrained by prudential indicators for gross borrowing and the CFR, and by the authorised limit.

4.3 Limits to Borrowing Activity

4.4 Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2023/24) plus the estimates of any additional capital financing requirement for the current (2024/25) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allowed the Council some flexibility to borrow in advance of its immediate capital needs in 2024/25. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

Table 4

[3] HRA leases 10 residential properties from Marshgate Ltd a wholly owned subsidiary of the council.

Limits to Borrowing £000	**31/03/2024 Actual**	**2024/25 Budget**	**31/03/2025 Actual**
Gross borrowing position	242,057	291,063	254,057
Finance Leases	17,808	17,419	18,540
CFR	(331,027)	(347,430)	(334,354)
(Under) / over funding of CFR – Internal Borrowing	**(71,162)**	**(39,948)**	**(61,757)**

4.5 The **authorised limit** - the authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2024/25 the Council has maintained gross borrowing within its authorised limit.

4.6 The **operational boundary** – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.

4.7 **Actual financing costs as a proportion of net revenue stream** - this indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream.

Table 5

Authorised limits	**Operational Boundary £'000**	**Authorised Limit £'000**	**Actual External Debt 30/09/2022 £'000**
Borrowing	354,503	362,503	246,849
Less Investments			(63,425)
Total	354,503	362,503	183,424

4.7.1 The ratio of financing costs to net revenue stream is equal to General Fund interest costs divided by the General Fund net revenue income from Council tax, Revenue Support Grant and retained business rates. For the HRA the net revenue stream is the income shown in the council's accounts – rents, service charges and other income. The ratio of financing costs to net revenue stream reflects the relatively high level of debt as a result of the HRA self-financing deal with the government in 2012.

4.7.2 Fluctuations in external debt are not significant in 2024/25. The balance at the end of the year is materially lower than both the operational and authorised limits, thus the average and maximum debt balances are not recovered minimal, external debt at the start of the year is, for 2024/25 the maximum debt outstanding end of the year is for 2024/25 is £1,000 lower than the maximum debt external outstanding debt in in the year.

4.8 TREASURY MANAGEMENT ACTIVITIES

TREASURY POSITION AS AT 31 MARCH 2025

4.8.1 The Council's treasury management debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through Member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices.

4.8.2 At the end of 2024/25 the Council's treasury position (excluding finance leases), was as follows:

Table 6

Treasury Position (Excludes Finance Leases)	31/03/2024 Principal £000	Rate / Return 2023/24 %	Average Life 2023/24 (Yrs.)	31/03/2025 Principal £000	Rate / Return 2024/25 %	Average Life 2024/25 (Yrs.)
PWLB Borrowing	234,987	3.26	11	247,987	3.60	11
Other Borrowing (LEP)	7,070	-	6	6,070	-	5
Total External Debt	**242,057**	**-**	**-**	**254,057**	**-**	**-**
Capital Financing Requirement	(313,218)	-	-	(315,813)	-	-
Total Treasury Investments	25,202	5.19	<1	46,132	4.95	<1
Over/(Under) borrowing	**(45,959)**	**-**	**-**	**(45,452)**	**-**	**-**

The maturity structure of the external debt portfolio was as follows:

Table 7

Debt Maturity Structure £000	31.3.24 Actual	2024/25 Authorised Limit	31.3.25 Actual
Within 1 Year	-		500
Over 1 not over 2 years	500		8,000
Over 2 not over 5 years	28,056		30,656
Over 5 not over 10 years	55,100		84,400
Over 10 not over 20 years	145,821		106,431
Over 20 not over 30 years	5,510		18,000
Total PWLB Debt	**234,987**		**247,987**
LEP Loan:			

Debt Maturity Structure £000	31.3.24 Actual	2024/25 Authorised Limit	31.3.25 Actual
Within 1 Year	1,000		-
Over 1 not over 2 years	-		-
Over 5 not over 10 years	6,070		6,070
Total LEP Loan	**7,070**		**6,070**
Total Debt	**242,057**	**391,764**	**254,057**

4.8.3 The General Fund loan from the Local Enterprise Partnership (LEP) is in relation to regeneration activities.

The Councils Investment portfolio (Treasury and non-treasury investments) is as follows:

Table 8

Treasury investments (all managed in house)	31.3.24 Actual £000	31.3.24 Actual %	31.3.25 Actual £000	31.3.25 Actual %
Banks and Building Societies	19,499	77%	17,000	38%
Local authorities	5,300	21%	10,000	23%
Money Market Funds	403	2%	17,196	39%
Total treasury investments	**25,202**	**100%**	**44,196**	**100%**
Non-Treasury investments				
Subsidiaries (para 4.8.4)	11,931	100%	14,077	97%
Subsidiary Equity (Marshgate)	-	-	418	3%
Municipal Bond	10	-	10	-
Total Non-Treasury Investments	**11,941**	**100%**	**14,505**	**100%**
Treasury investments	25,202	68%	44,196	75%
Non-Treasury investments	11,941	32%	14,505	25%
Total of all Investments	**37,143**	**100%**	**58,701**	**100%**

The maturity structure of the investment portfolio is as follows:

Table 9

Investment Maturity Structure £000	31.3.24 Actual	31.3.25 Actual
Within 1 Year	34,164	56,316
Longer than 1 year	2,979	2,385
Total Investments	**37,143**	**58,701**

4.8.4 The non-treasury loans to the subsidiaries are made up of:

- Marshgate LTD (WOC), for the purchase and development of housing within the Borough in 2021/22 and 2022/23 £12,120K
- Swingate Developments LLP - £1,850K
- Hertfordshire Building Control Ltd - £107K

4.8.5 The equity investment in Marshgate Ltd reflects the equity element of member agreed funding that was formalised in 2024/25.

4.8.6 The increase in the treasury investment balances of £19Million between 31 March 2024 and 31 March 2025 reflects lower than expected capital expenditure in 2024/25 and the replenishment of HRA internal borrowing by £13Million additional borrowing from PWLB.

4.9 TREASURY MANAGEMENT STRATEGY 2024/25

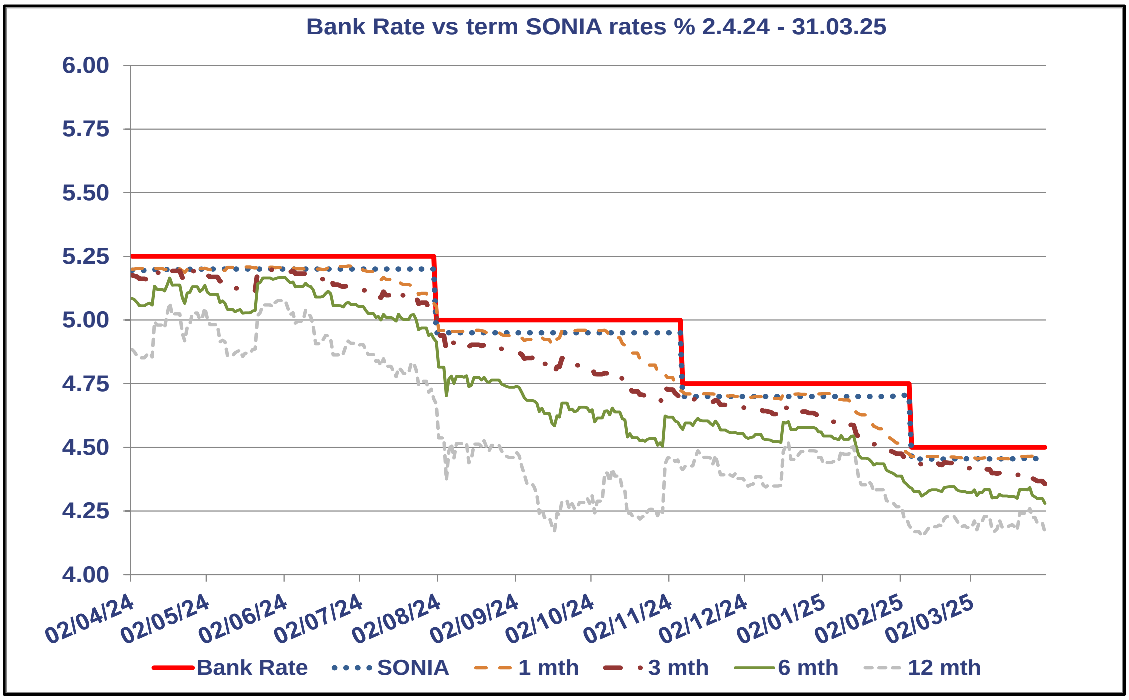
4.9.1 The Treasury Management Strategy was approved by Council on 21 February 2024.

There are no policy changes to the TMS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

4.10 Investment strategy and control of interest rate risk

4.10.1 Investment returns remained robust throughout the course of 2024/25 with bank rates reducing steadily through the course of the financial year from 5.25% to 4.5% as at 31 March 2025. Concerns over rising inflation led to reduced expectations for the Bank Rate to fall in the last half of the year.

4.10.2 Investment Benchmarking Data – Sterling Overnight Index Averages (Term) 2024/25



4.11 Borrowing strategy and control of interest rate risk

4.11.1 During 2024/25, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as although near-term investment rates were equal to, and sometimes higher than, long-term borrowing costs, the latter are expected to fall back through 2025 and 2026 in the light of economic growth concerns and the eventual dampening of inflation. The Council has sought to minimise the taking on of long-term borrowing at elevated levels (>5%) and has focused on a policy of internal borrowing, supplemented by short-dated borrowing (<5 years) as appropriate. risk. Although no short-term borrowing was taken out in 2024/25.

4.11.2 The policy of avoiding new borrowing by running down spare cash balances has served the Council well over the last few years. However, this has been kept under review to avoid incurring higher borrowing costs in the future when the Council may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt. The Council has taken some limited borrowing in 2024/25 to ensure the Council's cashflow position is resilient and to ensure that if interest rates increase, large amounts of borrowing required are not all taken at higher rates.

4.11.3 At the start of April 2025, following the introduction of President Trump's trade tariffs policies, the market now expects Bank Rate to fall to 3.75% by the end of March 2026.

Interest Rate Forecasts								
Bank Rate	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27
MUFG CM	4.25%	4.00%	3.75%	3.75%	3.75%	3.50%	3.50%	3.50%
Cap Econ	4.00%	3.75%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
5Y PWLB RATE								
MUFG CM	4.80%	4.70%	4.60%	4.50%	4.40%	4.40%	4.30%	4.20%
Cap Econ	4.80%	4.70%	4.60%	4.50%	4.50%	4.40%	4.40%	4.40%
10Y PWLB RATE								
MUFG CM	5.10%	5.00%	4.90%	4.80%	4.70%	4.70%	4.60%	4.50%
Cap Econ	5.20%	5.10%	5.00%	5.00%	4.90%	4.80%	4.80%	4.80%
25Y PWLB RATE								
MUFG CM	5.60%	5.50%	5.40%	5.30%	5.20%	5.10%	5.00%	5.00%
Cap Econ	5.70%	5.40%	5.30%	5.20%	5.10%	5.00%	5.00%	5.00%
50Y PWLB RATE								
MUFG CM	5.30%	5.20%	5.10%	5.00%	4.90%	4.80%	4.70%	4.70%
Cap Econ	5.50%	5.20%	5.20%	5.10%	5.00%	4.90%	4.90%	4.90%

4.11.4 The PWLB certainty rate is gilts plus 80bps. Gilt yields have generally been on a continual rise since early 2022, remaining elevated throughout 2024/25 due to both the impacts of global and domestic economic conditions.

4.11.5 There is likely to be a fall in gilt yields and PWLB rates across the whole curve over the next one to two years as Bank Rates falls and inflation (on the CPI measure) moved closer to the Bank of England's 2% target.

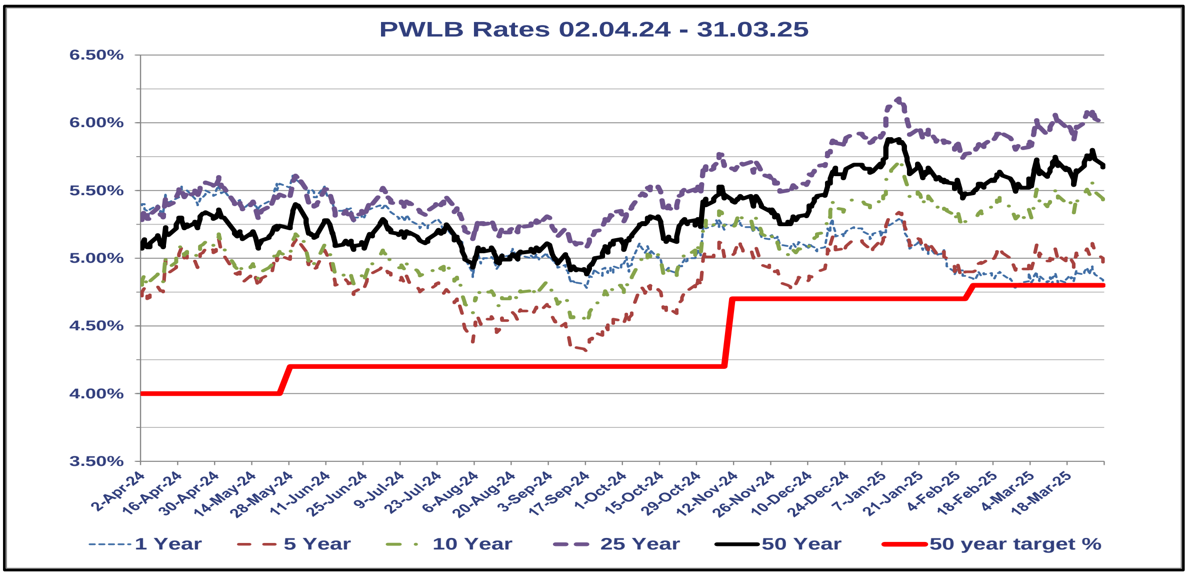
4.11.6 As a general rule, short-dated gilt yields will reflect expected movements in Bank Rate, whilst medium to long-dated yields are driven primarily by the inflation outlook.

4.11.7 The Bank of England is continuing on a process of Quantitative Tightening. The gradual reduction of the Bank's original £895Billion stock of gilt and corporate bonds will be sold back into the market over several years (currently c£623Billion). The impact this policy will have on the market pricing of gilts, while issuance is markedly increasing, is an unknown at the time of writing.

4.11.8 The Chart below shows the volatility of the PWLB borrowing rates from 1 April 2023 to 31 March 2025.

PWLB RATES 2024/25

Chart 1



4.12 BORROWING OUTTURN

4.12.1 Two new loans were taken out in the year. These were to refinance HRA internal borrowing, details being:

- £7.5Million loan taken from 17 April 2024 to 16 April 2045 at an annual interest rate of 4.87% and
- £5.5Million loan taken from 2 July 2024 to 1 July 2045 at an annual interest rate of 4.88%.

4.12.2 Interest paid on PWLB borrowing during the year was £ 8.3Million – Housing Revenue Account (HRA) and £40K - General Fund (GF). This was against an original budget of £8.9Million. The favourable variance of £0.6Million is due to reduced capital expenditure in year against plan as well as the use of internal resources to fund capital expenditure while still overachieving on investment income versus latest budget.

4.13 INVESTMENT OUTTURN

4.13.1 Investment Policy – the Council's investment policy is governed by MHCLG investment guidance, which has been implemented in the annual investment strategy approved by the Council on 21 February 2024. This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).

4.13.2 The investment activity during the year conformed to the approved strategy, and the Authority had no liquidity difficulties.

4.13.3 In accordance with the Treasury Management Strategy, the Council invests its surplus cash balances that are committed for future approved spending. The policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data and counterparty limits dependant on level of cash balances held.

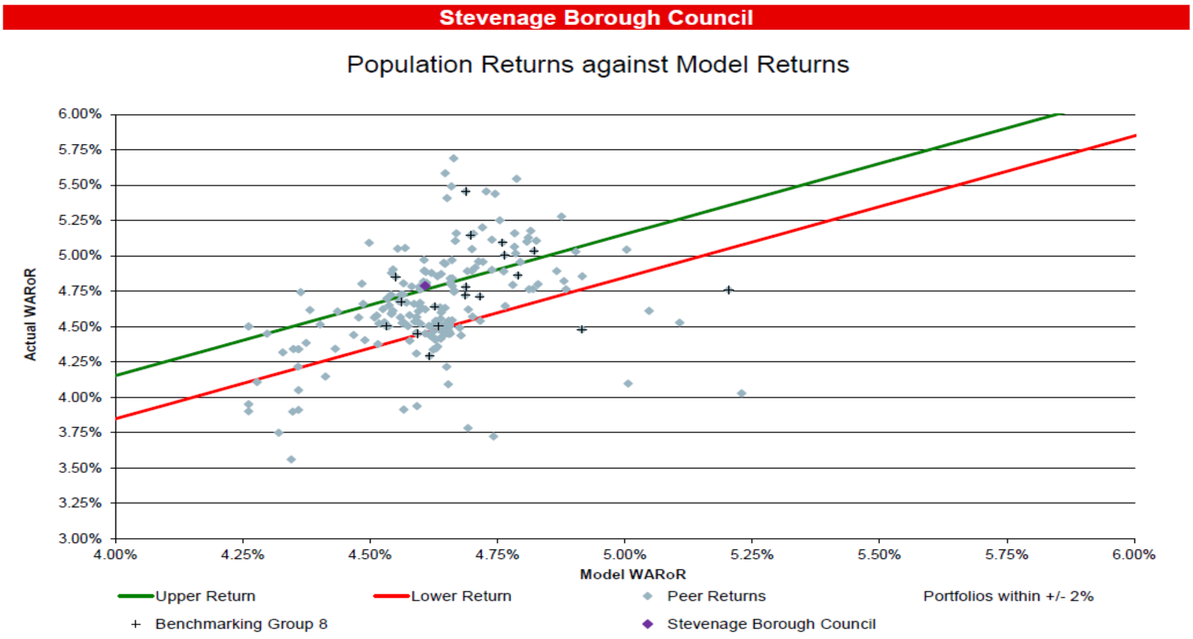
4.14 Treasury Investment performance year to date as of 31 March 2025

4.14.1 The Council's current treasury investment portfolio consists of "conventional" cash investments: deposits with banks and building societies, Money Market Funds and loans to other Local Authorities. No investments have been made with any of the other approved instruments within the Specified and Non-specified Investment Criteria.

4.14.2 Average level of funding available for investment purposes during the year was £50Million, earning an average interest rate of 4.95%. Interest earned to 31 March 2025 was £2.3Million on treasury investments, against the working budget of £2.3Million.

4.14.3 The council's treasury advisors (MUFG), provide regular benchmarking analysis of the performance of the council's investments against a group of 20 other local authorities. The March 2025 report shows performance of the portfolio held at 31 March 2025 being in the upper return range against model returns. This performance is consistent across the year.[4]

Chart 2



Stevenage Borough Council	Actual WARoR	Model WARoR	Difference	Lower Bound	Upper Bound	Performance
	4.79%	4.61%	0.18%	4.45%	4.76%	Above

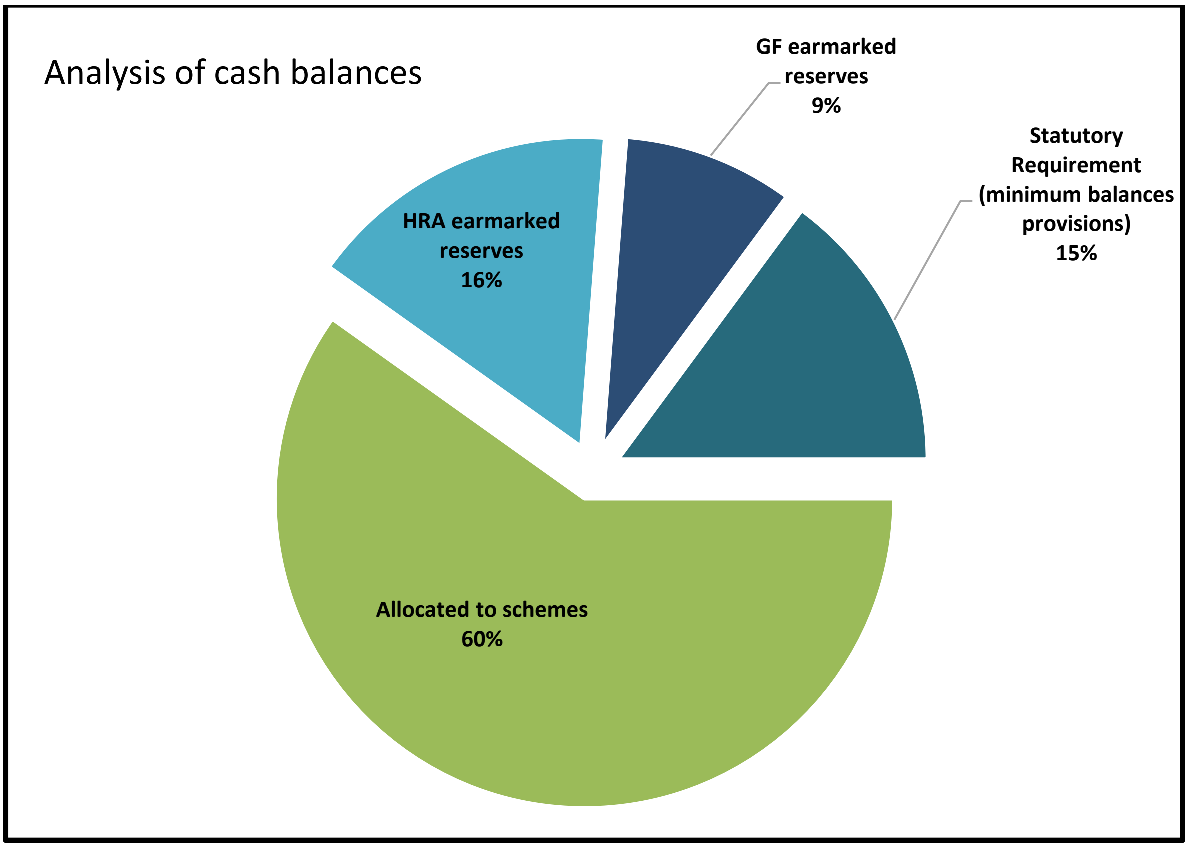
[4] WARoR = Weighted average rate of return on investments

4.14.4 The Council's balances are made up of cash reserves e.g. HRA and General Fund balances, restricted use receipts e.g. right to buy one for one receipts and balances held for provisions such as business rate appeals.

4.14.5 In considering the Council's level of cash balances, Members should note that the General Fund MTFS and Capital Strategy have a planned use of resources over a minimum of 5 years and the HRA Business Plan (HRA BP) a planned use of resources over a 30-year period, which means, while not committed in the current year, they are required in future years.

4.14.6 The following chart shows the planned use of cash balances as at 31 March 2025.

Chart 3



4.14.7 The restrictive use of a proportion of the cash balances set out above, plus the planned use of resources in line with the Council's capital and revenue strategies mean that the investment balance of £46Million as at 31 March 25 is not available to fund new expenditure.

5 IMPLICATIONS

5.1 Financial Implications

5.1.1 This report is of a financial nature and reviews the treasury management function for 2024/25. Any consequential financial impacts identified in the Capital strategy and Revenue budget monitoring reports have been incorporated into this report.

5.1.2 During the financial year Officers operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury management practices.

5.2 Legal Implications

5.2.1 Approval of the Prudential Code Indicators and the Treasury Management Strategy are intended to ensure that the Council complies with relevant legislation and best practice.

5.2.2 There have been no changes to PWLB borrowing arrangements since the last Treasury report. Officers will ensure that any changes to the Prudential and Treasury Management codes from 2025/26 are reflected in treasury operations and reporting requirements**.**

5.3 Risk Implications

5.3.1 The current policy of minimising external borrowing internally where appropriate, taking advantage of the benefits differentials between investment income and borrowing rates is kept under ongoing review as these conditions change. This policy only remains financially viable while cash balances are high. Capital investment, not funded by capital receipts and grant funding reduce these balances if not supported by additional borrowing. The risk is that the Council may need to take borrowing at higher rates than budgeted which would increase revenue costs.

5.3.2 The Council's Treasury Management Strategy is based on limits for counterparties to reduce risk of investing with only a small number of institutions.

5.3.3 The thresholds and time limits set for investments in the Strategy are based on the relative ratings of investment vehicles and counter parties. These are designed to take into account the relative risk of investments and also to preclude certain grades of investments and counterparties to prevent loss of income to the Council.

5.3.4 There is a risk to the HRA BP's ability to fund the approved 30-year spending plans if interest rates continue at the current high level, although currently it is anticipated that rates will reduce. This will be included in the HRA MTFS forecast in 2025.

5.4 Equalities and Diversity Implications

5.4.1 This report is technical in nature and there are no implications associated with equalities and diversity within this report. In addition to remaining within agreed counterparty rules, the council retains the discretion not to invest in countries that meet the minimum rating but where there are concerns over human rights issues. Counterparty rules will also be overlaid by any other ethical considerations from time to time as appropriate.

5.4.2 The Treasury Management Policy does not have the potential to discriminate against people on grounds of age; disability; gender; ethnicity; sexual orientation; religion/belief; or by way of financial exclusion. As such a detailed Equality Impact Assessment has not been undertaken.

5.5 Climate Change Implications

There are no specific climate change implications resulting from this report.

BACKGROUND PAPERS

- BD1 Treasury Management Strategy including Prudential Code Indicators 2024/25 (Council 21 February 2024)
- BD2 2024/25 Mid-Year Treasury Management Review and Prudential Indicators (Council 18 December 2024)

APPENDICES

- Appendix A - Investment and PWLB Debt Portfolio

Appendix A

Portfolio Summary for Stevenage Borough Council

Show in Excel, hide from Web

Investments

Institution	Principal
Australia and New Zealand Banking Group Ltd. (3)	£9,000,000
Basildon District Council (1)	£5,000,000
Landesbank Hessen-Thueringen Girozentrale (2)	£6,000,000
Lloyds Bank Plc (RFB) (1)	£2,000,000
MMF Aberdeen (1)	£10,000,000
MMF CCLA (1)	£8,100,000
MMF Morgan Stanley (1)	£340,000
North Northamptonshire Council (1)	£5,000,000
HSBC	£692,000
	£46,132,000

Debt

HRA or GF	Loan Type	Principal
GF	PWLB > Maturity	£1,755,950
	Total	£1,755,950
HRA	PWLB > Maturity	£246,231,150
	Total	£246,231,150
Total	Total	£247,987,100

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