

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

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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 borrowing¹	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 expenditure² 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 lease³	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

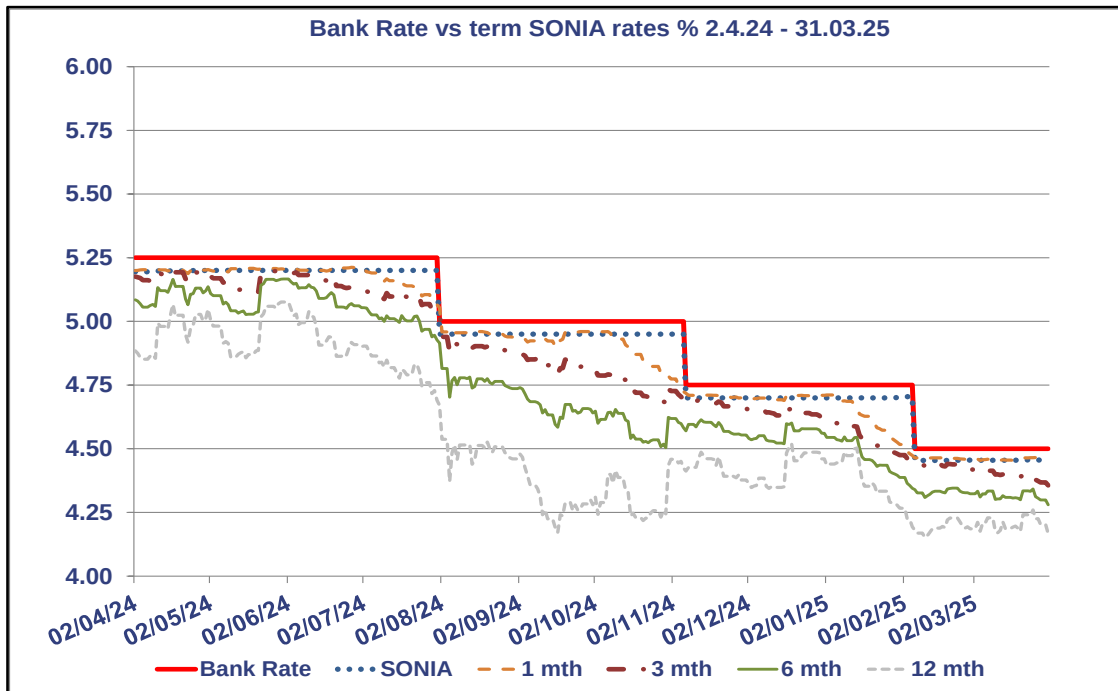
4.9.1 The Treasury Management Strategy was approved by Council on 21 February 2024.

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.

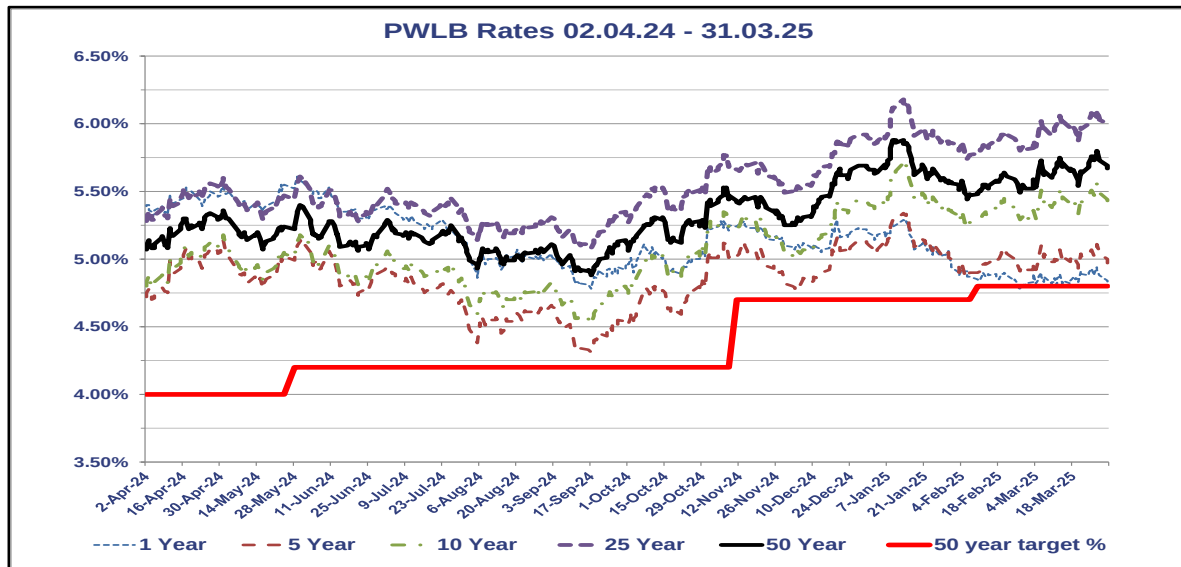
4.11.6 As a general rule, short-dated gilt yields will reflect expected movements in Bank Rate, whilst medium to long-dated yields are driven primarily by the inflation outlook.

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.

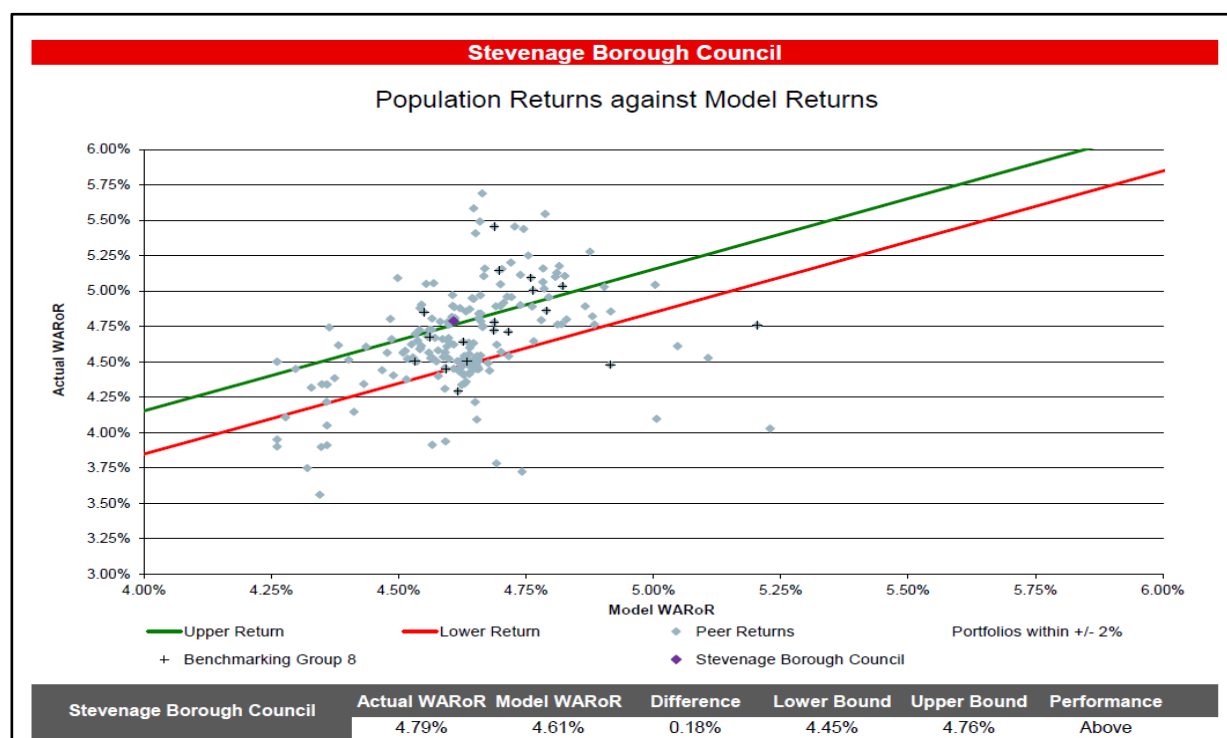
4.14 Treasury Investment performance year to date as of 31 March 2025

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



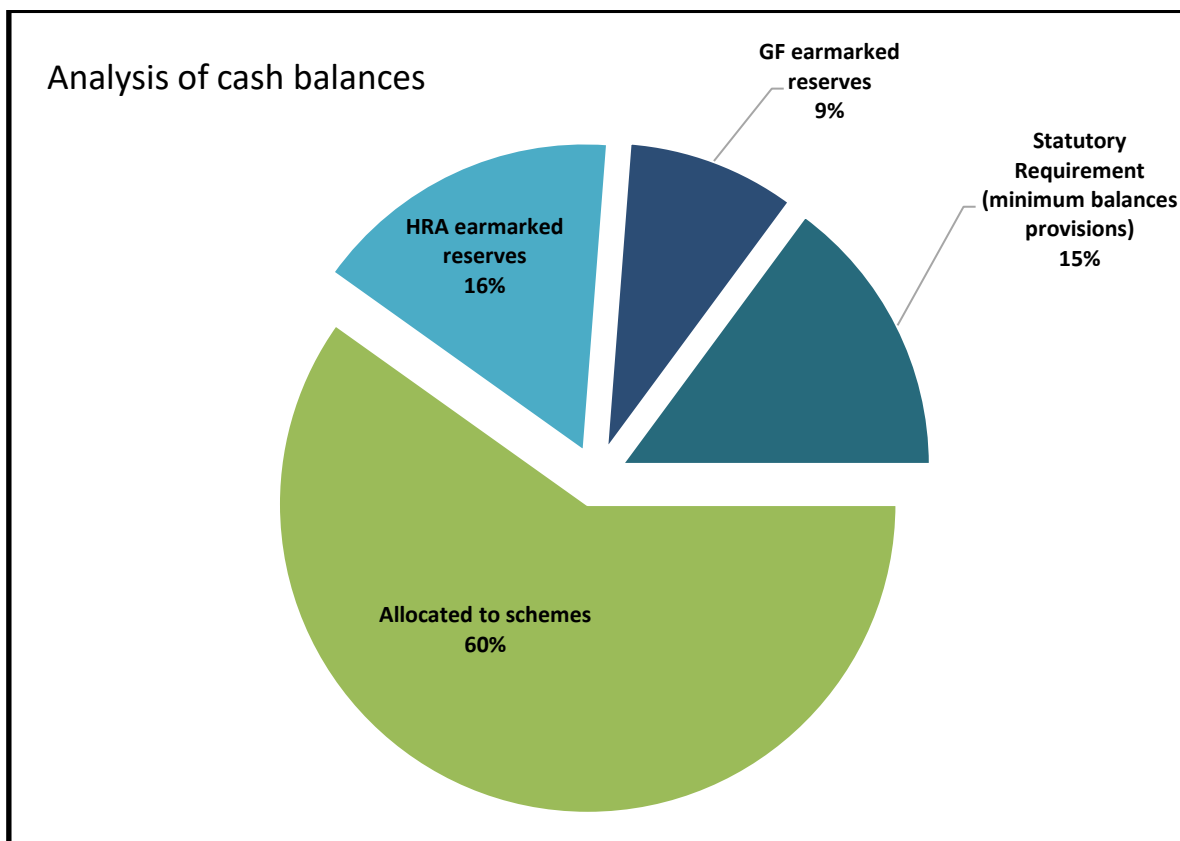
⁴ WARoR = Weighted average rate of return on investments

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-Thüringen 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