Appendix 1

Treasury Management Outturn Report 2024/25

Introduction

This report provides a summary of the treasury management activity undertaken by the Council during the financial year 2024/25. It has been produced in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes, the CIPFA Prudential Code for Capital Finance in Local Authorities and the Department for Levelling Up, Housing and Communities (DLUHC) Capital Finance: Guidance on Local Government Investments.

The Council's Revised Treasury Management Strategy for 2024/25 was presented to Cabinet on 18th November 2024, Audit and Corporate Governance Committee on 10th December and to Full Council for approval on 23rd January 2025. The Council's Capital Strategy was approved by Full Council on 7th March 2024.

Economic Summary 2024/25

UK GDP growth picked up in Q1 2025, However, economists are hesitant to call this a lasting recovery due to underlying economic concerns such as inflation, global trade tariffs, and persistent weak productivity.

UK annual Consumer Price Index (CPI) inflation continued to rise and stayed above the 2% Bank of England (BoE) target in the later part of the financial year. In March 2025, UK CPI was 2.6%, down from 2.8% in February.

The Bank of England maintained the Bank Rate at 4.5% in March 2025 and later reduced it to 4.25% in May. The bank rate was reduced from 5.25 % at the beginning of this financial year to 4.25% in May 2025.

Borrowing Summary

On 31st March 2025, the Council had net borrowing of £444.90m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

The Council pursued its strategy of keeping borrowing and investments below their underlying levels by utilising its internal cash balances to fund capital projects rather than taking out external loans. This approach is sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.

Table 1: Balance Sheet Summary

	31.3.25 Actual *£m*
General Fund CFR	504.13
Housing Revenue Account CFR	166.67
Total CFR	670.79
Less: *Other debt liabilities	-29.48
Borrowing CFR	641.31
External borrowing	458.48
Internal/Under borrowing	182.83

* The Other Debt Liabilities figure is comprised of Finance leases, PFI liabilities and transferred debt that form part of the Council's total debt. The council is currently preparing the Other Debt Liabilities by adopting IFRS16 standard. The CFR figures are subject to audit.

Table 2 below provides a summary of the Council's net borrowing position.

Table 2: Net Borrowing Summary

	31.3.24 Balance *£m*	Movement *£m*	31.3.25 Balance *£m*	31.3.25 Rate *%*
External Long-term Borrowing	459.43	-0.95	458.48	3.589%
External Short-term Borrowing				
Total borrowing	**459.43**	**-0.95**	**458.48**	**3.589%**
MMF	-21.30	7.73	-13.57	4.564%
Long-term Investments				
Total investments	**-21.30**	**7.73**	**-13.57**	**4.564%**
Net borrowing	**438.13**	**6.77**	**444.90**	

*Subject to audit

Long term borrowing and investments are repaid/matures over a period longer than a year whilst short-term borrowing / investments are repaid/matures over a period shorter than or equal to one year.

Borrowing Update

On 31st March 2025 the Council held £458.48m of external loans. The target for the year end set in the 2024/25 Revised Treasury Management Strategy of £445.70m. During 2024/25 debt actually reduced by £0.95m from previous year. while actual debt at the 31st March 2025 was above forecast due to delayed asset disposal sales and more payments were paid than anticipated at the end of the year, the Council is following a debt reduction strategy to bring borrowing down to a sustainable and affordable level. There were no changes to the levels of Bank debt, no new borrowing for capital purposes was undertaken during the year. £74.00m of maturing PWLB loans were refinanced, while £74.95m PWLB loans were repaid for the year. Loans outstanding on 31st March 2025 are summarised in Table 3 below.

Table 3: External Borrowing Position

	31.3.24 Balance £m	Net Movement £m	31.3.25 Balance £m	31.3.25 Weighted Average Rate %	31.3.25 Weighted Average Maturity (years)
Public Works Loan Board	446.43	-0.95	445.48	3.573%	8.56
Banks (LOBO) (Lender's Option Borrower's Option)	9.00	-	9.00	3.883%	41.07
Bank Fixed Term	4.00	-	4.00	4.760%	29.30
	459.43	**-0.95**	**458.48**	**3.589%**	

The Council has also invested in non-treasury investments for service purposes. These investments are shown in table 5 below.

Other Debt Liabilities

The Council had other long-term liabilities of £29.48m at the year end. This was comprised of £26.64m of Private Finance Initiative finance and £2.84m of finance leases. This reflected repayments of £2.22m during the year.

Treasury Investment Activity

The Council invests surplus funds in accordance the Investment Strategy approved by Full Council. These funds represent income received in advance of expenditure plus balances and reserves. The investment position is shown in Table 4 below.

Table 4: Treasury Investment Position

	31.3.24 Balance £m	Net Movement	31.3.25 Balance £m	31.3.25 Return %
Government: DMADF	-	-	-	
Money Market Funds	-21.30	7.73	-13.57	4.564%
Banks (Overnight)	-0.80	-0.47	-1.28	1.75%
Total Investments	**-22.10**	**7.25**	**-14.85**	

The Council's Investment Strategy is to ensure that there is sufficient liquidity to meet corporate commitments. Investments were made throughout the year with Money Market Funds and the Debt Management Account Deposit Facility (DMADF).

Non-Treasury Investments

The Council has invested in a number of property companies which fall under CIPFA's definition of Non-Treasury Investments. Investments that do not meet the definition of treasury management investments (i.e., management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return). Table 5 below provides details of these companies below.

Table 5: Non-Treasury Investments

Balance at 31/3/2024 *£m*	Interest receivable 2023/24 *£m*	Debtor	Balance at 31/3/2025 *£m*	Interest Receivable 2024/25 *£m*	Rate %
51.70	1.55	James Elliman Homes	51.70	1.55	3.000%
0.74	0.14	SUR LLP*	0.90		5.000%
2.19	0.36	GRE 5 Ltd *	5.17	0.23	6.000%
5.00	0.07	Slough Children First Ltd*		0.08	1.410%
59.63	**2.12**		**57.76**	**1.86**	**3.15%**

*Subject to Audit
*Cabinet approved the extension of the GRE 5 loan facility agreement up to £15m (from £10m) at its meeting of April 2023. The increased in loan required pending finalisation of the grant to be received from Homes England and to enable works to be completed.
*The £5m of Slough Children First loan was repaid on 31st March 2025 together with payment of £0.08m of interest.

Compliance

The Chief Finance Officer reports that all treasury management activities undertaken during the year complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in Table 6 below.

Compliance with the authorised limit and operational boundary for external debt is demonstrated in Table 6 below.

Table 6: Prudential Indicators: Capital Expenditure and External Debt

Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to fluctuations in cash flow, and this is not counted as a compliance failure. But sustained breaches should trigger further investigation and action The operational boundary is distinct from the "authorized limit" which represents the maximum permissible borrowing. Total debt was above the operational boundary for 0 days since 1st April 2024. However, on 9 separate occasions during the first quarter of 2024/25 the Council fell below its voluntary liquidity threshold of £10m. In each case, the cash balance was replenished within 24 hours. It was not breached during the rest of the financial year.

The affordability ratios are crucial for assessing the Council's financial health and were maintained within TMS prudential indicators assumptions.

Prudential Indicators	**2024/25 TMS** ***£m***	**2024/25 Actual** ***£m***
Capital Expenditure		
General Fund	48.42	37.57
Council Housing: HRA	19.64	18.24
Capital Financing Requirement (CFR)	672.73	641.31
Authorised Limit for External Debt	499.43	458.48
Operational Debt Boundary	477.15	458.48

Table 7: Investment Limits

Sector	**Time limit**	**Counterparty limit** ***£m***	**Sector limit** ***£m***	**31.03.25** ***£m***
The UK Government	50 years	Unlimited	n/a	n/a
Local authorities & other government entities	25 years	50m	Unlimited	n/a
Banks (unsecured) *	13 months	2m	10m	n/a
Building societies (unsecured) *	13 months	2m	10m	n/a
Money market funds *	n/a	10m	Unlimited	13.57

Treasury Management Indicators

The Council measures and manages its exposures to treasury management risks using the following indicators:

Security: The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit score of its investment portfolio. This is calculated by applying a rating to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a rating based on their perceived risk.

Table 8: Average Credit Score

	31.3.25 Actual	2024/25 Target	Complied?
Portfolio average credit score	AAA	A	Yes

Maturity Structure of Borrowing: This indicator is set to control the Council's exposure to refinancing risk and is designed to protect against excessive exposures to interest rate changes in any one period. It measures the percentage of loan maturities in categories in line with CIPFA guidance. The upper and lower limits on the maturity structure of all borrowing are shown in Table 9 below.

Table 9 Maturity Structure

Refinancing rate risk indicator	2024/25 TMS		2024/25 Actual
	Upper limit	Lower limit	
Under 12 months	50%	0%	21.03%
12 months and within 24 months	70%	0%	5.81%
24 months and within 5 years	70%	0%	15.82%
5 years and within 10 years	70%	0%	21.23%
10 years and above	70%	0%	36.11%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal Sums Invested for Periods Longer than a year: The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments.

Table 10: Principal Limits

	2024/25
Actual principal invested beyond year end	0
Complied?	Yes

Revenue Budget Implications: Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP / loans fund repayments are charged to revenue. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

Table 11: Prudential Indicators: Proportion of financing costs to net revenue stream

	2024/25 forecast *£m*	2024/25 Actual £m
General Fund Financing Costs	**25.4**	**24.7**
General Fund Net Income	**148.6**	**149.6**
Ratio of Financing Costs to Net Revenue Stream	**17.1%**	**16.5%**

HRA Financing Costs	**3.9**	**4.1**
HRA Net Income	**24.7**	**44.7**
Ratio of Financing Costs to Net Revenue Stream	**16.0%**	**9.1%**

Net Interest from Service Investments		**1.9**
Net Income from Service Investments		**57.8**
Ratio of Net Income from Service Investments to Net Revenue Stream		**3.2%**