
Annual Treasury Management Review 2024/25

Committee considering report:	Governance Committee
Date of Committee:	Tuesday 29 July 2025
Portfolio Member:	Councillor Iain Cottingham
Date Head of Service agreed report: (for Corporate Board)	8.7.2025
Date Portfolio Member agreed report:	17.7.2025
Report Author:	Christopher Dagnall

1 Purpose of the Report

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

2 Recommendation(s)

- CIPFA's Treasury Management Code (the TM Code) requires the Council to approve an investment and borrowings strategy, and mid-year and annual treasury management reports. This report provides an overview of treasury management activity for financial year 2024/25.
- This report informs the Governance Committee that the plans complied with Investment and Borrowing Strategy.
- This report also informs that the Council complied with the prudential treasury indicators during the financial year 2024/25.

3 Implications and Impact Assessment

Implication	Commentary
Financial:	The Treasury function is responsible for daily cashflow management within the Council. Income from investments and

	expenditure on debt financing contributes to the Council's annual budget			
Human Resource:	Not applicable			
Legal:	The CIPFA TM Code requires the Council to approve an annual treasury management strategy, a mid-year review and an outturn review			
Risk Management:	All investments are undertaken with a view to minimising the risk of financial loss. The Investment and Borrowing Strategy approved by the Council contains an approved counterparty list and determines financial and non-financial limits that the Treasury team must operate within to mitigate this risk			
Property:	Not applicable			
Policy:	Not applicable			
	Positive	Neutral	Negative	Commentary
Equalities Impact:				
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		X		

Environmental Impact:		X		
Health Impact:		X		
ICT Impact:		X		
Digital Services Impact:		X		
Council Strategy Priorities:	X			The Treasury function supports the delivery of the Council's strategic objectives through the financing of the approved Capital Programme and monitoring of Council cashflows
Core Business:		X		
Data Impact:		X		
Consultation and Engagement:	Shannon Coleman-Slaughter - Service Director for Finance, Property and Procurement, s151 Officer			

4 Executive Summary

- 4.1 The Council's Investment and Borrowing Strategy for 2024/25 was approved by Council in March 2024. The Council has borrowed and invested substantial financial sums and is therefore exposed to risks including the loss of invested funds and the revenue effect of changing interest rates.
- 4.2 Recent economic instability has been reflected in significant increases to Local Government borrowing from PWLB (Public Works and Loans Board), with rates for a 25-year annuity loan as at 31 March 2025 at 5.76% after the application of certainty rate compared to a historic average of 3%-4%.
- 4.3 In a rising interest rate environment, the Council faces risks of increased costs on any new external borrowing undertaken to support the delivery of planned capital works, in addition to general cost inflationary pressures. During the current financial year, officers have sought long-term as well as short-term borrowing to support delivery of the Council's capital programme. Careful monitoring has been undertaken in this difficult financial situation and a regular review of cashflow balances has ensured an optimum utilisation of internal cash balances to limit the exposure to undertaking any unnecessary further borrowing during the year. The strategy of retaining borrowings and investments below their underlying levels,

sometimes known as internal borrowing, has managed risk to some extent and due to historic borrowing, has secured at reduced rate that has helped to retain average interest costs at 3.94% (2024/25).

- 4.4 During 2024/25, the Authority complied with all significant legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are:

Prudential and Treasury indicators	2023/24 Actual £'000	2024/25 Original £'000	2024/25 Actual £'000
Capital expenditure	47,743	53,750	41,056
General Fund-Capital Financing Requirement	292,870	305,428	319,711
External debt	(248,973)	(211,131)	(267,242)
PFI and IFRS 16 lease liabilities	(9,807)	(8,892)	(9,441)
Gross borrowings	(258,780)	(220,023)	(276,682)
Investments	17,274	10,000	17,306
Net borrowings	(241,506)	(210,023)	(259,376)

- 4.5 During 2024/25 all loans obtained from PWLB, and all short-term borrowings sourced from the Local Authority market are in accordance with the approved Investments and Borrowings Strategy. The table below details the Council's borrowings position:

Liability Benchmark	31.3.25 Actual £000	31.3.26 Forecast £000	31.3.27 Forecast £000
Loans Capital Financing Requirement (CFR) Excluding PFI	310,271	344,150	353,519
Less: Balance sheet resources	(60,335)	(47,835)	(32,835)
Net loans requirement	249,936	296,315	320,684
Plus: Liquidity allowance	10,000	10,000	10,000
Liability benchmark	259,936	306,315	330,684

5 Supporting Information

The Council's Capital Expenditure and Financing

- 5.1 On 31 March 2025, the Council had net borrowings (gross external borrowings less net investments) of £249.9 million arising from revenue/capital income and expenditure. The underlying need to borrow for capital purposes is measured by the CFR while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in the table below, which is based on the Council's 2024/25 draft financial statements.

Balance Sheet summary	31/03/2025 Actual £m
General Fund CFR	319.7
Less: Other Debt Liabilities (Waste Private Finance Initiative)	(9.4)
Loans' CFR	310.3
External Borrowings	(267.2)
Internal Borrowings	43.0
Usable Reserves	41.7
Working Capital	18.6
Net Investments	17.3

- 5.2 Capital expenditure is a key prudential indicator. The table below discloses the actual spend and how this was financed. The actual outturn for capital expenditure has been recorded at £41.1m at the end of the financial year 2024/25, excluding Exceptional Financial Support (EFS).
- 5.3 The Council requested EFS in respect of financial years 2024/25 and 2025/26. This process exists to support councils facing unmanageable financial pressures.
- 5.4 As at the end of the financial year 2024/25, £13m of EFS has been capitalised:

General Fund capital expenditure	2023/24 Actual £'000	2024/25 Budget £'000	2024/25 Actual £'000
Capital expenditure	47,743	53,750	41,056
Exceptional Finance Support (EFS)	Nil	Nil	13,000
Total capital expenditure	47,743	53,750	54,056
Financed in-year (via external funds, grants and other contributions)	30,832	28,351	23,400
Unfinanced capital expenditure	16,911	25,399	17,656
Unfinanced capital expenditure: EFS	Nil	Nil	13,000
Total unfinanced capital expenditure	16,911	25,399	30,656

Borrowings – 31 March 2025

- 5.5 The Authority's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR).
- 5.6 The Council's main objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty during the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change, being a secondary objective.

- 5.7 During 2024/25 the Council primarily focused on short-term borrowing (consistent with 2023/24) through utilising the Local Authority market. However, this approach was not sufficient and therefore PWLB loans have been sourced in 2024/25 which have increased the Council's exposure to interest rate risk in a high cost borrowing environment. Due to the forecast on interest rates reduction and advice from MUFG (the Council's third-party treasury specialist), the loans have been granted for a duration of 12-18 months. The forecast is that the interest rates are reduced even further in 2025/26, and that further long-term borrowing sums will be secured to reduce borrowing costs in the long-term.

This approach has been taken to limit the exposure of tying in a long-term arrangement with higher interest rates, if interest rates decrease as anticipated:

Interest Rate Forecasts								
Bank Rate	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
Link	4.50%	4.00%	3.50%	3.25%	3.25%	3.25%	3.25%	3.00%
Cap Econ	4.75%	4.50%	4.25%	3.75%	3.25%	3.00%	3.00%	3.00%
5Y PWLB RATE								
Link	4.50%	4.30%	4.10%	4.00%	3.90%	3.90%	3.90%	3.90%
Cap Econ	4.70%	4.60%	4.40%	4.30%	4.10%	4.10%	4.00%	4.00%
10Y PWLB RATE								
Link	4.60%	4.40%	4.30%	4.10%	4.10%	4.10%	4.00%	4.00%
Cap Econ	4.80%	4.70%	4.60%	4.50%	4.30%	4.30%	4.20%	4.10%
25Y PWLB RATE								
Link	5.00%	4.80%	4.70%	4.50%	4.50%	4.40%	4.40%	4.40%
Cap Econ	5.10%	4.90%	4.80%	4.70%	4.50%	4.50%	4.40%	4.30%
50Y PWLB RATE								
Link	4.80%	4.60%	4.50%	4.30%	4.30%	4.20%	4.20%	4.20%
Cap Econ	5.10%	5.00%	4.80%	4.70%	4.60%	4.50%	4.40%	4.40%

- 5.8 The duration of loan spread enables the Council to manage cashflows and continue to reduce interest rate risk. The expectation is that borrowing costs will increase in future. By entering into shorter-term loans, the Council will have the flexibility to refinance at a lower rate in the future and subsequently reduce exit penalties from existing financing, but the balance needs to be struck between short-term and long term borrowing and the Authority must not exceed the limits of short-term borrowing (30% short-term) to avoid the risk of overreliance on short-term finance for the sake of long-term investments.

- 5.9 At 31 March 2025, the Council held £247 million of PWLB loans whereas the Local Authority loans stand at £20 million. Outstanding loans are summarised in the table below.

In summary, short-term loans equate to 24.14% of the Council's total borrowings (£202.5m long-term and £64.5m short-term):

Borrowing position as at 31 March 2025	31/03/2024 Balance £m	Net Movement £m	31/03/2025 Balance £m
Public Works Loan Board	(206.6)	(40.5)	(247.0)
Community Bond	(0.4)	0.2	(0.2)
Local Authorities (Short-Term)	(42.0)	22.0	(20.0)
Total Borrowing	(249.0)	(18.3)	(267.2)

- 5.10 In respect of a comparator of the Council's weighted average interest rate for borrowing, the table below shows the year-on-year average. The undertaking of debt financing from PWLB has increased the weighted average. However, the duration of loans sourced in 12-18 months does not expose the Council to a long-

term interest rate exposure risk should the rates fall as anticipated, which means that the Council would have flexibility to secure long-term borrowings at lower interest rates.

5.11 The Economy and Interest Rates-Please refer to the appendix C for the additional information

Gross borrowing and the CFR

5.12 To ensure that borrowing levels are prudent within the medium-term, the Authority should ensure that gross external borrowing does not exceed the CFR total for 2024/25 and the subsequent two financial years. The table below highlights the Authority's gross borrowings position against the CFR for 2023/24 and 2024/25. The Council has complied with the conditions attached to date and borrowings have therefore not exceeded the CFR limit.

5.13 The Authority's borrowings position as at 31 March 2025 is shown in Appendix A. Loans were drawn to fund the net unfinanced capital expenditure and naturally maturing debt:

Gross borrowing and the CFR	2023/24 Actual £'000	2024/25 Budget £'000	2024/25 Actual £'000
External Debt	248,973	211,131	267,242
PFI and IFRS 16 Leases Liability	9,807	8,892	9,441
Gross borrowing position	258,780	220,023	276,682
General Fund CFR	292,871	305,428	319,711
(Under)/over funding of General Fund CFR	(34,091)	(85,405)	(43,029)

5.14 CFR for the current year (2024/25) and estimates for the next two financial years are as follows:

Liability Benchmark	31.3.25 Actual £000	31.3.26 Forecast £000	31.3.27 Forecast £000
Loans Capital Financing Requirement (CFR)	310,271	344,150	353,519
Less: Balance sheet resources	(60,335)	(47,835)	(32,835)
Net loans requirement	249,936	296,315	320,684
Plus: Liquidity allowance	10,000	10,000	10,000
Liability benchmark	259,936	306,315	330,684

Other Debt Activity – 31 March 2025

5.15 Although not classified as borrowing, the Council has a Private Finance Initiative (PFI) liability in respect of the Padworth Waste Recycling Facility. This debt, which is included in total borrowings in the Council's Balance Sheet, stood at £8.9 million as at 31 March 2025 compared to £9.8 million as at 31 March 2024. Repayments of this debt are included in monthly waste contract charges, which are funded by the revenue budget for waste management.

Prudential Indicators: Treasury position/financial control

5.16 The Council is required to ensure that capital financing is reasonable and affordable in the long-term. The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit. Within the operational boundary and authorised limit, allowance has been made to permit debt financing of the planned capital programme, existing financing, PFI liabilities and anticipated further lease financing with the adoption of IFRS 16 Leases. The Council remained compliant with the operational boundary and authorised limit during the reporting period:

	2024/25
	Actual £'000
Authorised limit	402,892
Maximum gross borrowing position during the year	281,133
Operational boundary	383,892
Average gross borrowing position	252,107
Financing costs as a proportion of net revenue stream	5.89%

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

5.18 The Council may invest surplus funds with any of the counterparty types detailed in the approved Investments and Borrowings Strategy, subject to specified limits. During the reporting period, the Council has not breached the approved counterparty limits. Please refer to appendix D for details.

5.19 Maturity Structure: The Council measures and manages its exposures to treasury management risks using the Maturity Structure of Borrowing. This indicator is set to manage the Council’s exposure to refinancing risk. Please refer to appendix D for details.

Borrowings and Investments held by the Authority for year 2024/25

5.20 The Council measures the financial performance of treasury management activities, and the tables below show the overall performance of borrowings and investments in the reporting period:

Borrowings performance	Budgeted Interest Cost 01/04/24-31/03/25 £'000	Actual Interest Cost 01/04/24-31/03/25 £'000	(Over)/Under £'000	Actual Interest Rate 31/03/25 %
Short-term borrowings	(9)	(1,732)	(1,723)	4.97
Public Works Loan Board	(8,375)	(7,668)	707	3.86
Community Bond	0	(3)	(3)	1.20
Total borrowings	(8,384)	(9,403)	(1,019)	3.94
PFI and finance leases	(599)	(628)	(29)	6.10
Total debt	(8,982)	(10,031)	(1,048)	

The Authority has not borrowed more than, or in advance of its needs, purely to profit from the investment of additional sums borrowed.

- 5.21 The Authority's investments position as at 31 March 2025 is shown in Appendix B. During 2024/25, the Authority's investments portfolio earned an average rate of return of 4.8%. The comparable performance indicator is the Sterling Overnight Index Average (SONIA) rate, which was 4.9%. Total investment income was £1,185k compared to a budget of £508k.

Investment performance	Budgeted Interest Income 01/04/24-31/03/25 £'000	Actual Interest Received 01/04/24-31/03/25 £'000	Over/(Under) £'000	Actual Interest Rate YTD %
Short-term investments	503	366	137	5.04
Cash and cash equivalents	5	818	(813)	4.74
Total Treasury Investments	508	1,184	(676)	4.81

- 5.22 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Council's investment balances vary due to timing differences between income and expenditure, as detailed in the table below.

- 5.23 Bank interest rate reductions of 0.25% occurred in August, November and February, bringing the headline rate down from 5.25% to 4.5%. Each of the Bank rate cuts occurred in the same month as the Bank of England publishes its Quarterly Monetary Policy Report, therein providing clarity over the timing of potential future rate cuts:

Investment Summary	31/03/2024 Balance £m	Net Movement £m	31/03/2025 Balance £m	31/03/2025 Interest rate YTD %	31/03/2025 Weighted Average Maturity (Days)
Banks & Building Societies (Unsecured)	5.6	(0.6)	5.0	3.35	1
Government (Incl. Local Authorities)	0.0	0.0	0.0	5.04	0
Money Market Funds	11.7	0.6	12.3	4.96	1
Total Investments	17.3	0.0	17.3	4.81	1

5.24 Both the CIPFA TM Code and government guidance require the Council to invest funds prudently, and to have regard to the security and liquidity of treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

Other Issues

Non-treasury management investments

5.25 The definition of investments in the CIPFA TM Code pertains to all financial assets of the Council as well as other non-financial assets which the Authority holds primarily for financial return. This is replicated in the investment guidance issued by the Ministry of Housing, Communities and Local Government (MHLC), in which the definition of investments is further broadened to also include all such assets held partially for financial return. At 31 March 2025, the Council held £40.8 million of such investments in directly owned property.

5.26 The commercial property portfolio is valued as follows as at 31 March 2025, and has reduced in value by approximately £1 million.

Names and address of property	Property type	Valuation at 31 March 2024 £'000	Valuation at 31 March 2025 £'000	Movement (Loss)/Gain £'000
Dudley Port Petrol Filling Station, Tipton	Petrol Filling Station	4,155	3,891	(264)
79 Bath Road, Chippenham	Retail Warehouse	9,250	8,779	(471)
Lloyds Bank, 104 Terminus Road, Eastbourne	Retail	1,585	1,614	29
Aldi/Iceland, Cleveland Gate Retail Park, Gainsborough	Retail Warehouse	5,495	5,875	380
303 High Street and 2 Waterside South, Lincoln	Retail	2,550	2,654	104
3&4 The Sector, Newbury Business Park	Office	11,100	10,770	(330)
Ruddington Fields Business Park, Mere Way, Nottingham	Office	6,700	6,297	(403)
TOTAL		40,835	39,878	(957)

5.27 The estimated rate of return on these investments for 2024/25 is summarised in the tables below. The rate of return is based on the latest 2024/25 asset valuations. Net income for 2024/25 is based upon the revenue outturn as at 31 March 2025:

Directly owned Property: Commercial property	£'000
Valuations as at 31 March 2024	40,835
Valuations as at 31 March 2025	39,878
Loss on change in Market value during 2024/25	(957)
24/25 Net income	2,880
24/25 rate of return excluding MRP and Interest	4.71%
Directly owned Property: Commercial property	£'000
24/25 Net income	2,880
Loss on change in Market value during 2024/25	(957)
MRP costs 24/25	(899)
Interest Costs 24/25	(1,525)
Outturn, net of MRP and interest	(501)
24/25 rate of return, after MRP and interest	-1.23%

5.28 The Council holds a further £12.8 million of investment property where the purchase has not been directly funded through borrowing. In most cases, the

properties have been inherited from Berkshire County Council or Newbury District Council upon the formation of West Berkshire Council in 1998. Asset valuations are as follows:

Names and address of property	Property type	Valuation at 31 March 2024 £'000	Valuation at 31 March 2025 £'000	Movement(Loss)/Gain £'000
Rainbow Nursery, Priory Road, Hungerford	Children's Nursery	40	94	54
Clappers Farm/Beech Hill Farm, Grazely	Tenanted Smallholding	1,800	1,157	(643)
Bloomfield Hatch Farm, Grazely	Tenanted Smallholding	1,050	485	(565)
Shaw Social Club, Almond Avenue, Shaw	Community Centre	70	219	149
Swings n Smiles, Lower Way, Thatcham	Children's Day Centre	375	259	(116)
Units 1 to 7, Kennet Enterprise Centre, Hungerford	Industrial	520	542	22
London Road Industrial Estate, Newbury	Industrial	9,000	9,103	103
TOTAL		12,880	11,883	(997)

Directly owned Property: Investment Properties	£'000
Valuation as at 31 March 2024	12,880
Valuation as at 31 March 2025	11,883
Loss on change in Market value during 2024/25	(997)
24/25 Net income	477
24/25 rate of return excluding MRP and Interest	-4.04%

Note: There is no borrowing on this investment and therefore no MRP and Interest.

- 5.29 The Authority has approved a revised Property Investment Strategy with a change of focus from management of the portfolio to longer-term disposal, reducing the Authority's financial exposure to loss of income through voids and costs associated with maintaining the assets.
- 5.30 The rate of return shown in the tables above do not reflect any changes in the value of these properties. Due to the nature of direct investment in property, there is additional risk (upside and downside) that the value of the investment may change. In respect of commercial property, this risk is carried alongside the risk of voids and the possibility that no rental income being recovered adversely impacts achievable rates of return.
- 5.31 These risks have historically been managed through the allocation of General Fund transfers to Earmarked Reserves as part of the annual budget setting process. However, since financial year 2023/24, no such provision has been made due to pressure on the Council's overall reserve position. In the last few years, the commercial property portfolio has seen a net decrease in value, driven by downturns on valuations for retail warehousing and office space.

IFRS 16 Leases

- 5.32 IFRS 16 Leases is a new accounting standard which handles how leases are categorised within the Balance Sheet.
- 5.33 The main distinction concerns finance leases whereby the risks and rewards of lease ownership transfer to the Authority and are included within the Balance Sheet as assets and liabilities.

5.34 The impact of IFRS 16 is to remove (for lessees) the traditional distinction between finance leases and operating leases. Finance leases have historically been accounted for as acquisitions (with the asset on the balance sheet, together with a liability to pay for the asset acquired shown in long-term liabilities). In contrast, operating leases have been treated as 'pay as you go' arrangements like renting an item, with rentals charged to revenue in the year they are paid and no requirement to reflect such amounts in the Balance Sheet. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to utilise an asset.

5.35 There are two exemptions from applying the new accounting requirements in terms of lease transactions:

(a) Short-term leases

(b) Leases where the underlying asset is of a low value

5.36 Lease liabilities will be recognised from the commencement date of the lease and expressed as the present value of any lease payments not paid to date. These payments are to be discounted using the interest rate implicit in the lease or the council's incremental borrowing rate.

5.37 Under IFRS 16, the Council accounted for leases that are not exempt as follows:

5.38 (a) A 'right of use' asset representing the economic benefit and service potential over which it has obtained control for the lease term and shown in the Balance Sheet

(b) A liability for the payments the Council makes against the acquisition of the 'right to use' asset is included in the Balance Sheet

(c) Lease payments are split between an amount to pay off the lease liability (a principal repayment to reduce the outstanding debt in the Council's Balance Sheet) and finance charges (interest on the lease liability charged as a revenue expense)

In summary, the costs associated with acquiring these 'right of use' assets will qualify as capital expenditure, and in turn will increase the CFR and impact on several Prudential Indicators.

Following the implementation of IFRS 16, CFR has increased by £548k, which is not material.

Proposals

5.39 No proposals are made within this report. The report is to note only.

6 Other options considered

6.1 Not applicable

7 Conclusion

- 7.1 The Section 151 Officer is satisfied that the treasury management practices during 2024/25 have operated in compliance with the adopted CIPFA TM Code and in accordance with the Council's approved Investments and Borrowings Strategy. The Council complied with the prudential treasury indicators during the financial year 2024/25.

8 Appendices

8.1 Appendix A – The Authority's borrowings position as at 31 March 2025

Lender	Type	Start date	Maturity date	Outstanding Principal £000	Interest Rate %
North Hertfordshire DC	Fixed - Maturity	22/10/2024	22/05/2025	2,000	4.95
North Hertfordshire DC	Fixed - Maturity	29/11/2024	29/05/2025	2,000	5.10
West Yorkshire CA	Fixed - Maturity	17/10/2024	17/06/2025	2,000	5.00
Humber Bridge Board	Fixed - Maturity	27/09/2024	30/06/2025	2,000	4.98
Ashfield DC	Fixed - Maturity	16/10/2024	16/07/2025	5,000	5.00
Blackburn with Darwen BC	Fixed - Maturity	31/10/2024	31/07/2025	5,000	4.85
East Sussex CC	Fixed - Maturity	19/11/2024	19/08/2025	2,000	5.05
Market Loans Borrowing Total				20,000	
PWLB	Fixed - Maturity	08/05/1996	25/03/2056	3,258	8.38
PWLB	Fixed - Maturity	17/10/1996	25/09/2056	666	8.00
PWLB	Fixed - Maturity	06/09/2005	25/09/2031	5,000	4.30
PWLB	Fixed - Maturity	21/11/2005	25/09/2034	5,000	4.25
PWLB	Fixed - Maturity	21/11/2005	25/09/2035	6,581	4.25
PWLB	Fixed - Annuity	21/08/2009	25/03/2029	75	3.95
PWLB	Fixed - Annuity	21/08/2009	25/03/2049	5,743	4.29
PWLB	Fixed - Annuity	28/08/2009	25/09/2049	1,334	4.21
PWLB	Fixed - Annuity	15/02/2010	25/09/2034	7,704	4.50
PWLB	Fixed - Annuity	09/03/2010	09/03/2050	2,438	4.66
PWLB	Fixed - Annuity	24/03/2011	09/03/2051	1,698	5.33
PWLB	Fixed - Annuity	24/03/2011	09/03/2036	4,754	5.11
PWLB	Fixed - Annuity	27/06/2011	24/03/2036	4,699	4.87
PWLB	Fixed - Annuity	20/09/2011	09/09/2036	1,393	4.05
PWLB	Fixed - Annuity	20/09/2011	09/09/2051	7,939	4.60
PWLB	Fixed - Annuity	01/03/2012	01/03/2037	996	3.63
PWLB	Fixed - Annuity	04/10/2013	04/10/2032	4,026	3.55
PWLB	Fixed - Annuity	03/03/2014	01/03/2039	1,790	3.93
PWLB	Fixed - Annuity	03/03/2014	01/03/2054	2,380	4.24
PWLB	Fixed - Annuity	07/10/2014	04/10/2054	6,957	3.80
PWLB	Fixed - Annuity	17/02/2015	17/02/2055	2,990	3.21
PWLB	Fixed - Annuity	17/02/2015	17/02/2040	1,498	2.81
PWLB	Fixed - Annuity	28/10/2015	28/10/2055	1,752	3.41

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Lender	Type	Start date	Maturity date	Outstanding Principal £000	Interest Rate %
PWLB	Fixed - Annuity	23/02/2016	23/02/2031	80	2.02
PWLB	Fixed - Annuity	23/02/2016	23/02/2026	142	1.64
PWLB	Fixed - Annuity	23/02/2016	23/02/2066	4,589	3.14
PWLB	Fixed - Annuity	23/02/2016	23/02/2046	3,934	2.85
PWLB	Fixed - Annuity	03/10/2016	03/04/2026	270	1.04
PWLB	Fixed - Annuity	03/10/2016	03/04/2031	97	1.29
PWLB	Fixed - Annuity	03/10/2016	03/04/2046	5,009	2.02
PWLB	Fixed - Annuity	03/10/2016	03/04/2066	1,682	2.30
PWLB	Fixed - Maturity	23/10/2017	23/10/2067	2,985	2.43
PWLB	Fixed - Maturity	31/10/2017	31/10/2067	6,248	2.50
PWLB	Fixed - Annuity	20/02/2018	20/02/2033	63	2.28
PWLB	Fixed - Annuity	20/02/2018	20/02/2028	468	1.99
PWLB	Fixed - Annuity	20/02/2018	20/02/2048	3,604	2.76
PWLB	Fixed - Annuity	20/02/2018	20/02/2068	2,687	2.81
PWLB	Fixed - Maturity	19/03/2018	19/03/2068	13,000	2.38
PWLB	Fixed - Maturity	19/04/2018	19/04/2068	15,855	2.43
PWLB	Fixed - Maturity	30/10/2018	30/10/2068	9,740	2.58
PWLB	Fixed - Maturity	18/12/2018	18/12/2068	6,938	2.53
PWLB	Fixed - Annuity	18/12/2018	18/12/2048	3,259	2.49
PWLB	Fixed - Annuity	18/12/2018	18/12/2028	567	1.71
PWLB	Fixed - Annuity	18/12/2018	18/12/2068	889	2.66
PWLB	Fixed - Maturity	11/03/2019	11/03/2069	7,487	2.39
PWLB	Fixed - Annuity	19/08/2019	19/08/2049	3,921	1.58
PWLB	Fixed - Annuity	19/08/2019	19/08/2059	484	1.79
PWLB	Fixed - Annuity	19/08/2019	19/08/2069	2,367	1.84
PWLB	Fixed - Maturity	08/03/2024	17/06/2025	5,000	5.47
PWLB	Fixed - Maturity	08/03/2024	15/05/2025	5,000	5.47
PWLB	Fixed - Maturity	27/03/2024	15/07/2025	5,000	5.36
PWLB	Fixed - Maturity	27/03/2024	15/08/2025	5,000	5.36
PWLB	Fixed - Maturity	27/03/2024	15/09/2025	5,000	5.36
PWLB	Fixed - Maturity	29/11/2024	01/12/2025	10,000	5.16
PWLB	Fixed - Maturity	30/01/2025	02/02/2026	5,000	5.08
PWLB	Fixed - Maturity	28/02/2025	01/05/2026	5,000	4.90
PWLB	Fixed - Maturity	28/02/2025	01/04/2026	5,000	4.90
PWLB	Fixed - Maturity	04/03/2025	01/06/2026	5,000	4.83
PWLB	Fixed - Maturity	04/03/2025	01/07/2026	5,000	4.83
PWLB	Fixed - Maturity	28/03/2025	28/08/2026	5,000	4.91
PWLB	Fixed - Maturity	28/03/2025	28/07/2026	5,000	4.91
PWLB Loans Borrowing Total				247,037	
Abundance	Fixed - Annuity	30/10/2020	15/10/2025	205	1.20
Community Bond Borrowing Total				205	

8.2 Appendix B – The Authority's investments position as at 31 March 2025

Counterparty	Type	31.3.25 Principal £000
Lloyds	Bank Deposit Account	138
Natwest	Bank Deposit Account	2,279
Natwest - (non-interest bearing balances)	Bank Deposit Account	893
Santander	Bank Deposit Account	0
Virgin Money - Schools Accounts	Bank Deposit Account	1,655
Total managed in house		4,965
Aviva	Money Market Fund	8,000
CCLA	Money Market Fund	4,239
Goldman Sachs	Money Market Fund	102
Total managed externally		12,341
Total Treasury Investments		17,306

Appendix C

The Economy and Interest Rates

UK Economy

- 8.3 Having begun the financial year at 2.3% y/y (April), the CPI measure of inflation briefly dipped to 1.7% y/y in September before picking up pace again in later months. Data showed CPI rising by 2.6% y/y (March), but there is a strong likelihood that the % will increase to at least 3.5% by the Autumn of 2025.
- 8.4 Against that backdrop, and the continued lack of progress in ending the Russian invasion of Ukraine, as well as the potentially negative implications for global growth because of the implementation of US tariff policies by US President Trump in April 2025, Bank rate reductions have been limited. Bank rate currently stands at 4.5%, despite the Office for Budget Responsibility reducing its 2025 GDP forecast for the UK economy to only 1% (previously 2% in October 2024).
- 8.5 Moreover, borrowing has becoming increasingly expensive in 2024/25. The table below provides a snapshot of the conundrum facing central banks: inflation pressures remain, labour markets are still relatively tight by historical comparisons, and central banks are also having to react to a fundamental re-ordering of economic and defence policies by the US administration.
- 8.6 As of early April 2025, market sentiment has been heavily influenced by President Trump's wide-ranging trade tariffs policy. Commentators anticipate the growing risk of a US recession, whilst UK GDP is projected by the Office for Budget Responsibility to remain tepid, perhaps achieving 1% GDP growth in 2025/26.

	UK	Eurozone	US
Bank Rate	4.50%	2.50%	4.25%-4.50%
GDP	0.1%q/q Q4 (1.1%y/y)	+0.1%q/q Q4 (0.7%y/y)	2.4% Q4 Annualised
Inflation	2.8%y/y (Feb)	2.3%y/y (Feb)	2.8%y/y (Feb)
Unemployment Rate	4.4% (Jan)	6.2% (Jan)	4.1% (Feb)

- 8.7 The Bank of England sprung no surprises in their March meeting, leaving Bank rate unchanged at 4.5%, and suggesting further reductions would be gradual. The Bank of England was expected to continue its cut-hold-cut-hold pattern by leaving interest rates at 4.50% but, in the opposite of what happened at the February meeting, the vote was more hawkish than expected. This suggested that as inflation rises later in the year, the Bank cuts rates even slower, but the initial impact of President Trump's tariff policies in April 2025 on the financial markets underpins the Council's view that the Bank rate will eventually decrease to 3.5%.
- 8.8 Having said that, the Bank still thinks inflation will rise from 2.6% in March to 3¼% in Q3. This may amount to an indication of concern in relation to the "persistence in domestic wages and prices, including from second-round effects". Accordingly, although a series of rate cuts over the next year or so is anticipated, this does not

contradict the Bank taking “a gradual and careful” approach to cutting rates. A tepid economy however will most likely reduce inflation further and prompt the Bank to cut at regular intervals. From a fiscal perspective, wages continue to increase at a rate close to 6% y/y. The Monetary Policy Committee (MPC) would prefer a more sustainable level of c3.5%.

- 8.9 Interest rate forecasts initially suggested gradual reduction in short-term, medium-term and longer-term fixed borrowing rates during 2024/25. Bank rate did peak at 5.25% as anticipated, but the initial expectation of significant rate reductions did not transpire, primarily because inflation concerns remained elevated. Forecasts were too optimistic from a rate reduction perspective, but more recently the forecasts, updated from November 2024 onwards, look more realistic.
- 8.10 At the start of April 2025, following the introduction of President Trump’s trade tariffs policies, the market expected Bank rate to fall to 3.75% by the end of December 2025, pulling down the 5-year and 10-year parts of the curve. This should provide an opportunity for greater certainty to be added to the debt portfolio, although a significant fall in inflation will be required to underpin any material movement lower in the longer part of the curve.
- 8.11 PWLB rates are based on gilt (UK Government bonds) yields through HM Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank rate, inflation expectations and movements in US treasury yields.
- 8.12 Gilt yields have been volatile throughout 2024/25. Indeed, the low point for the financial year was most likely reached in September 2024. Thereafter, and in the immediate period following the Autumn Statement, PWLB certainty rates remained elevated at between c5% - 6% except for the slightly cheaper shorter dates. At the close of 31 March 2025, the 1-year PWLB Certainty rate was 4.82% whilst the 25-year rate was 5.98% and the 50-year rate was 5.67%.
- 8.13 Regarding PWLB borrowing rates, the various margins attributed to their pricing are as follows:
- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
 - **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
 - **Local Infrastructure Rate** is gilt plus 60 basis points (G+60bps)

Appendix D

Prudential Indicators: Treasury position/financial control

8.14 The Council may invest surplus funds with any of the counterparty types detailed in the approved Investments and Borrowings Strategy, subject to specified limits. During the reporting period, the Council has not breached the approved counterparty limits. Should a limit be breached, it will be reported to the Council's Treasury Management Group as part of monthly performance reporting:

Counterparty Limits	Maximum Invested £m	31/03/2025 Actual Invested £m	2024/25 Individual Counterparty Limit £m	Complied? Yes/No
The UK Government (Debt Management Office)	25.0	0.0	Unlimited	Yes
UK Local Authorities (including Police, Fire and similar bodies)	5.0	0.0	8.0	Yes
UK Building Societies (net asset size ranking 1-11)	0.0	0.0	8.0	Yes
UK Building Societies (net asset size ranking 12-21)	0.0	0.0	6.5	Yes
UK Building Societies (net asset size ranking 22-25)	0.0	0.0	5.0	Yes
UK Banks and other financial institutions	6.1	2.4	8.0	Yes
Money Market Funds (Sterling denominated)	23.8	12.3	8.0	Yes - Individual Limit per counterparty has not been exceeded
Other Non-local authority UK public sector body	0.0	0.0	8.0	Yes
Registered Providers, Charities	0.0	0.0	2.5	Yes
Council owned companies	0.0	0.0	5.0	Yes
Council owned joint ventures	0.0	0.0	5.0	Yes
Strategic pooled funds (including cash plus funds)	0.0	0.0	8.0	Yes
Real estate investment trusts	0.0	0.0	8.0	Yes

8.15 **Maturity Structure:** The Council measures and manages its exposures to treasury management risks using the Maturity Structure of Borrowing. This indicator is set to manage the Council's exposure to refinancing risk:

Maturity structure of debt portfolio	31.3.24 Actual %	2024/25 Original %	31.3.25 Actual %
Under 12 Months	18.77	0-30	24.14
12 Months and within 24 Months	11.85	0-30	12.81
24 Months and within 5 Years	5.14	0-30	4.81
5 Years and within 10 Years	11.02	0-30	12.05
10 Years and within 15 Years	10.84	0-30	7.66
15 Years and within 20 Years	5.18	0-30	4.95
20 Years and within 25 Years	5.38	0-30	4.64
25 Years and within 30 Years	2.74	0-30	2.24
30 Years and within 35 Years	2.62	0-30	2.23
35 Years and within 40 Years	0.83	0-30	0.79
40 Years and within 45 Years	25.59	0-30	23.69
45 Years and within 50 Years	0.02	0-30	0.00