

**Report for:** Audit Committee – 11<sup>th</sup> March 2025

**Item number:** 8

**Title:** Treasury Management Q3 Report 2024/25

**Report authorised by:** Josephine Lyseight, Assistant Director of Finance (Deputy S151 Officer)

**Lead Officer:** Sam Masters, Head of Finance – Treasury and Banking  
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**Ward(s) affected:** N/A

**Report for Key/  
Non Key Decision:** N/A

## **1. Describe the issue under consideration**

- 1.1. The Council has adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Council to approve treasury management reports on a semi-annual and annual basis.
- 1.2. The Council's Treasury Management Strategy for 2024/25 was approved at a full Council meeting on 4 March 2024. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's treasury management strategy.
- 1.3. This report provides an update to the Audit Committee on the Council's treasury management activities and performance quarters ending 31<sup>st</sup> December 2024, in accordance with the CIPFA Code.

## **2. Cabinet Member Introduction**

- 2.1. Not applicable.

## **3. Recommendations**

The Audit Committee is requested:

- 3.1. To note the treasury management activity undertaken during the financial year to 31<sup>st</sup> December 2024 and the performance achieved which is attached as Appendix 1 to this report.
- 3.2. To note that all treasury activities were undertaken in line with the approved Treasury Management Strategy.

## **4. Reason for Decision**

4.1. Not applicable.

## **5. Other options considered**

5.1. Not applicable.

## **6. Background information**

6.1. The Council's treasury management activity is underpinned by CIPFA's Treasury Management in Public Services: Code of Practice (the CIPFA Code), which requires local authorities to produce annually, Prudential Indicators and a Treasury Management Strategy Statement.

6.2. CIPFA has defined Treasury management as: "The management of the authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

6.3. The CIPFA Code recommends that members are informed of treasury management activities at least twice a year. Following an amendment to the Council's constitution in 2023, it was determined that the reviewing and monitoring of treasury policy, strategy and activity is delegated to the Audit Committee. This Committee receives quarterly treasury management update reports, including a mid-year and annual report.

6.4. However, overall responsibility for treasury management remains with full Council, and the Council approved the Treasury Management Strategy Statement and set the Prudential Indicators for 2024/25 on 4 March 2024.

6.5. Government guidance on local authority treasury management states that local authorities should consider the following factors in the order they are stated:

Security → Liquidity → Yield

6.6. The Treasury Management Strategy reflects these factors and is explicit that the priority for the Council is the security of its funds. However, no treasury activity is without risk and the effective identification and management of risk are integral to the Council's treasury management activities.

### **Economic Background**

6.7. The impact on the UK from the government's Autumn Budget, slower expected interest rate cuts, a short-term boost to but modestly weaker economic growth over the medium term, together with the impact from President-elect Trump's second term in office and uncertainties around US domestic and foreign policy, will be major influences on the Authority's treasury management strategy for 2025/26.

6.8. The Bank of England's (BoE) Monetary Policy Committee (MPC) reduced rates at the February 2025 meeting, seven Committee members voted to reduce Bank Rate to 4.5% while two members preferred to reduce it to 4.25%.

	Mar-24	Jun-24	Sep-24	Dec-24	Current Rate
BoE Bank Rate	5.25%	5.25%	5.00%	5.75%	4.50%

Further details can be found in section 2 of Appendix 1 to this report.

### **Borrowing Activity**

- 6.9. The Council's primary objective when borrowing is to strike an appropriately low-risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required.
- 6.10. There has been a significant increase in the cost of both short-term and long-term borrowing over the past two years, although these increases are now stabilising, and we are starting to see some reductions in rates.
- 6.11. The table below shows the movement in rates offered across the various PWLB maturities for the 12 months to 31<sup>st</sup> December 2024. The rates shown are included the 0.20% certainty discount rate offered by the PWLB to qualifying authorities.

PWLB Maturity	Mar-24	Jun-24	Sept-24	Dec-24
10 year	4.74%	4.96%	4.79%	5.43%
20 year	5.18%	5.37%	5.27%	5.86%
50 year	5.01%	5.15%	5.13%	5.68%

- 6.12. As part of its strategy for funding previous and current years' capital programmes, the Council held £956.9 million in loans on 31<sup>st</sup> December 2024. The Council has a significant capital programme which will largely be financed by new borrowing in the upcoming years. The Council plans to maintain a balanced portfolio of short and long-term borrowing.
- 6.13. Further details on the borrowing activity of the Council over the period can be found in section 4 of Appendix 1 to this report.

### **Treasury Investment Activity**

- 6.14. In accordance with the CIPFA Code and government guidance, the Council aims to strike an appropriate balance between risk and return, when making treasury investments. The aim is to prioritise the security and liquidity of its investments before seeking the optimum rate of return or yield.
- 6.15. Throughout the period, the Council's investment balances ranged between £30.3 million and £83.3 million due to timing differences between income and expenditure, ending at £33.9m on 30 September 2024.
- 6.16. Overnight deposit rates for the Debt Management Account Deposit Facility and Money Market Funds averaged around 5.00%.
- 6.17. The following table shows how the Council's current Treasury investments compare with other local authorities.

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Ave. Maturity (Days)	Rate of Return
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31.03.2024	3.67	AA-	0%	1	5.19%
31.12.2024	3.09	AA-	31%	1	4.72%
Similar Local Authorities	4.74	A+	76%	14	4.95%
All Local Authorities	4.59	A+	61%	10	4.91%

Further details on the Council's treasury investment activity over the period can be found in section 5 of Appendix 1 to this report.

### **Treasury Management Prudential Indicators**

- 6.18. The Council measures and manages its exposures to treasury management risks using several indicators that are set when the Treasury Management Strategy is approved in advance of the new financial year.
- 6.19. The Chief Finance Officer reports that all treasury management activities carried out during the year were fully compliant with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy.
- 6.20. A detailed assessment of the Council's compliance with the agreed upon Treasury Management Indicators can be found in section 8 of Appendix 1 to this report.

## **7. Contribution to Strategic Outcomes**

- 7.1. Not applicable.

## **8. Carbon and Climate Change**

- 8.1. Not applicable.

## **9. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Legal and Governance, Equalities)**

### Finance and Procurement

- 9.1. Finance comments are included throughout the attached report.

Assistant Director of Legal and Governance [Benita Edwards, Head of Legal Services]

- 9.2. The Head of Legal Services has been consulted on the content of this report which is consistent with legislation governing the financial affairs of the Council. In particular, the Council must comply with the requirements of the Local Government Act 2003, the Local Authorities (Capital Financing & Accounting – England) Regulations 2003 and the CIPFA Treasury Management code.
- 9.3. In considering the report Members must take into account the expert financial advice available to it and any further oral advice given at the meeting of the Committee

### 9.4. Equalities

- 9.5. There are no equalities issues arising from this report.

## **10. Use of Appendices**

10.1. Appendix 1 – Treasury Management Update Report – Q2 2024/25

**11. Background Papers**

11.1. None