



APPENDIX D TREASURY MANAGEMENT REPORT 2024/25

Introduction

- 1.1 Treasury Management is the management of the council's borrowing, investments and cash flows, including 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.
- 1.2 The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management 2021 recommends that members be updated on treasury management activities at least quarterly. The Local Government Act 2003 also requires that the council produce an annual review of treasury management activities comparing actual activity during the year with the Treasury Management Strategy approved prior to the start of the year.

Economic Context

- 2.1 The final quarter of the year saw:
- Gross Domestic Produce is low at 0.1% for the final quarter of the year, giving 1.1% overall growth for the financial year.
 - Unemployment is currently 4.5%, with annual wage inflation at 6%.
 - Consumer Price Index (CPI) inflation has increased in the last quarter of the financial year to 3% in January, 2.8% in February and 2.6% in March.
 - Borrowing has become more expensive over 2024/25, Gilt yields rose in the Autumn and have remained elevated.
- 2.2 In March, the Bank of England voted to keep interest rates unchanged at 4.5% and suggested that further reductions would be gradual. The latest projections from our treasury management advisors suggest the bank rate will continue to decrease in a cut and hold pattern, falling to 3.5% at the end of the 2025/26 financial year.

Investments

- 3.1 At 31 March 2025, the council held investments as shown in table 1.

Table 1 Investment Portfolio

Treasury investments	Term	Maturity date	Interest rate	Amount invested £m
Instant Access Money Market Funds:				
Federated	N/A	N/A	4.53%	10.00
Aberdeen Standard	N/A	N/A	4.53%	10.00
Invesco	N/A	N/A	4.53%	7.00
CCLA	N/A	N/A	4.50%	4.61
95 Day Notice Bank Accounts:				
Barclays (ESG green deposits)	N/A	16/06/2025	4.40%	5.00
Fixed Term Deposits:				
Central Bedfordshire Council	181 days	20/05/2025	5.20%	5.00
Total treasury investments			Average 4.59%	41.61

3.2 The council applies the credit worthiness service provided by MUFG Corporate Markets (formerly Link). This service employs a modelling approach utilising credit ratings from three main credit rating agencies (Fitch, Moody's and Standard and Poor's). This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system to which MUFG allocate a series of colour coded bands with suggested maximum durations for investments. These are detailed in the Treasury Management Strategy for 2024/25 as approved by Council in February 2024.

3.3 The council has earned interest on its investments as shown in table 2. There is a revenue budget of £0.5 million for 2024/25m resulting in an underspend of £2.6 million within the Central budget line.

Table 2: Interest earned

Month	Average amount invested £m	Average rate of interest earned	Amount of interest earned £m
Apr 24	54.6	5.31%	0.221
May 24	61.0	5.27%	0.273
Jun 24	64.0	5.26%	0.276
Jul 24	76.2	5.23%	0.339
Aug 24	75.4	5.06%	0.324
Sep 24	68.5	5.01%	0.282
Oct 24	69.7	4.97%	0.294
Nov 24	71.6	4.82%	0.284
Dec 24	60.5	4.79%	0.246
Jan 25	61.5	4.76%	0.249
Feb 25	49.8	4.66%	0.178
Mar 25	42.8	4.59%	0.167
Total			3.133

3.4 In addition to the investment income, the council earns interest on the provision of loan finance to the waste disposal PFI provider. This has generated loan interest of £1.9 million in 2024/25 and has been credited to the waste reserve.

Borrowing

4.1 The council can only borrow up to its Authorised Borrowing Limit which represents the affordable limit determined in compliance with the Local Government Act 2003. It is the

maximum amount of debt that the authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements. The Authorised Borrowing Limit for external borrowing for 2024/25 is £350m which was approved in the Treasury Management Strategy.

4.2 At 31 March 2025, the council held long-term borrowing of £138.8m; this includes a new long-term loan of £25m which has been secured during the financial year (20-year repayment term at 5.44% interest). The council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR), this is the capital expenditure that has not yet been paid for by revenue or other resources. The council's CFR at 31 March 2025 is £326.0m, which demonstrates that the Council has significant internal borrowing when compared to the actual long-term borrowing (excluding PFI liabilities).

4.3 The current capital financing budget position is shown in table 3. The underspend has arisen from utilisation of internal borrowing over external borrowing, alongside a slippage in the capital investment budget spend.

Table 3: Summary of borrowing budget

	Budget £m	Outturn £m	(Surplus)/deficit £m
Minimum Revenue Position (MRP)	9.7	9.2	(0.5)
Interest Payable on loans	5.8	4.8	(1.0)
Total	15.5	14.0	(1.5)

Compliance with Treasury and Prudential Limits

5.1 During the quarter ended 31 March 2025, the council has operated within the treasury and prudential indicators set out in the Treasury Management Strategy for 2024/25. Actual values for quarter 4 are shown in table 4.

5.2 Treasury indicators for quarter 4 are shown as actual values as at 31 March 2025, e.g. for PI4 (authorised limit for external debt), the actual value of external debt as at 31 March 2025 of £186.6 million is shown against a Treasury Indicator limit of £420.0 million as approved in the Treasury Management Strategy. This means that actual debt is lower than the approved limit and the council is operating within agreed boundaries.

5.3 Prudential indicators (PI) for quarter 4 are shown as actual outturns for the financial year 2024/25, e.g. for PI1 (capital expenditure), the outturn spend for the financial year 2024/25 of £74.1 million is shown against a Prudential indicator value approved in the Treasury Management Strategy of £160.0 million. This means that capital expenditure for 2024/25 outturn is lower than was budgeted for at the start of the year.

Table 4: Prudential and Treasury indicators for 2024/25 as at 31 March 2025

Ref	Treasury indicators	Description	2024/25 Budget/Limit £000	Actual as at 31 March 2025 £000	Compliance result
PI4	Authorised limit for external debt	To set an authorised limit for its gross external debt for the forthcoming financial year (includes PFI liabilities)	420,000	186,600	Within limit
PI5	Operational boundary for external debt	To set an operational boundary for its gross external debt for the forthcoming financial year (includes PFI liabilities)	400,000	186,600	Within limit

PI8	Upper limit for principal sums invested over 364 days	To set an upper limit for total principal sums invested over 364 days	5,000	NIL	Within limit
PI7	Maturity structure upper and lower limits:	To set upper and lower limits for the maturity structure of its borrowing			
	Under 12 months		0-10%	5%	Within limit
	12 months to 2 years		0-10%	6%	Within limit
	2 to 5 years		0-25%	8%	Within limit
	5 to 10 years		0-35%	22%	Within limit
	10 years and above		0-80%	59%	Within limit
Ref	Prudential indicators	Description	2024/25 Budget £000	2024/25 Actual £000	Compliance result
PI1	Capital expenditure	A reasonable estimate of the total capital expenditure that it plans to incur during the forthcoming financial year	160,033	74,078	Under budget
PI2	Capital financing requirement (CFR)	A reasonable estimate of the total capital financing requirement at the end of the forthcoming financial year	349,974	325,964	Under budget
PI3	Gross debt and CFR	To ensure that the total gross debt does not, except in the short term, exceed the total of capital financing requirement	52%	43%	Below 100%, within limit
PI6	Ratio of financing costs to net revenue stream	To estimate the proportion of financing costs to net revenue stream for the forthcoming financial year	7%	7%	Under budget
PI9	Ratio of net commercial and service investments income to net revenue stream	To estimate the proportion of net income from commercial and service investments to net revenue stream for the forthcoming financial year	1%	1%	Low reliance on this income