



**REPORT of  
CHIEF FINANCE OFFICER**

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**to  
STRATEGY AND RESOURCES COMMITTEE  
24 JULY 2025**

**TREASURY MANAGEMENT OUTTURN 2024/25**

**1. PURPOSE OF THE REPORT**

- 1.1 To report on the Council's investment activity for the financial year 2024/25 in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code and the Council's Treasury Management Policy and Treasury Management Practices.

**2. RECOMMENDATIONS**

- (i) That the Treasury Management Outturn 2024/25 be reviewed for compliance purposes;
- (ii) That the Committee notes the alignment between the Treasury Management Outturn, the Budget Outturn for 2024/25, and the 2024/25 (pre-audit) accounts, which provides confirmation of the overall reported position.

**3. SUMMARY OF KEY ISSUES**

**3.1 Background**

- 3.1.1 The Council has adopted the CIPFA's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires that authorities report on the performance of the treasury management function at least twice yearly (mid-year and at year end).
- 3.1.2 The Council's Treasury Management Strategy for 2024/25 was presented to the Strategy and Resources Committee on 25 January 2024 and subsequently approved by the Council on 15 February 2024.
- 3.1.3 During 2024/25, the Council had an average of £24.7m invested and was therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury activity and the associated monitoring and control of risk.
- 3.1.4 The 2021 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by the Council covering capital expenditure and financing, treasury management and non-treasury investments. The Council's Capital Strategy, complying with CIPFA's requirement, was approved by the Council on 15 February 2024.

## 3.2 External Context

- 3.2.1 The Council currently engages Link Group to provide treasury management consultancy and advice services. Included at **APPENDIX 1** is information prepared by Link providing an overview of the external economic environment.

## 3.3 Local Context

- 3.3.1 The Council did not hold any external debt during 2024/25, with the exception of a five-year hire purchase agreement entered into on the acquisition of two tractors in April 2023.
- 3.3.2 The borrowing position of the Council will be reviewed as part of the updated 2024/25 Strategy. Investments levels are forecast to fall, as capital receipts are used to finance capital expenditure and reserves are used to finance any revenue budget gaps.

## 3.4 Investment Activity (April 2024 – March 2025)

- 3.4.1 Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money 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 returns.
- 3.4.2 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. Over the period from April 2024 to March 2025, the level of investments held by the Council has seen a decrease of £7.5m with total investments held on 31 March 2025 being £17m.
- 3.4.3 During 2024/25 the Bank of England decreased interest rates to reflect decreasing inflation. This has in turn decreased interest returns on investments. The Council has £3m invested in the CCLA (Churches, Charities and Local Authorities) Local Authorities Property Fund and £2m in the Ninety One Diversified Income Fund, which is a multi-asset fund. The falls in the capital values of the underlying assets were reflected in 31 March 2025 valuations of both funds. The 31/3/2025 Balance Sheet figure for long-term investments is recorded at fair value, £4,513k. The Council is using the alternative Fair Value through Profit and Loss (FVPL) accounting and must defer the funds' fair value gains and losses to the Financial Instruments Adjustment Account (which is an unusable reserve until 2024/25) and reflected in the movement in reserves statement.
- 3.4.4 The Council's £5m of externally managed pooled and property funds generated a total income return of £267k during 2024/25. As these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three to five-year period total returns will exceed cash interest rates. In the light of their performance over the medium/long-term and the Council's latest cash flow forecasts, investment in these funds has been maintained.

### 3.5 Performance – Budgeted Income and Outturn

3.5.1 Below are the average income returns obtained on the Authority's investments:

- Short Term investments – 5.5%;
- Investments in the Ninety One Diversified Income fund – 4.7%;
- Investment in the Property Fund – 4.6%;
- All investments – 5.3%.

3.5.2 The Authority's budgeted investment income for the year was £0.750m. The actual investment income for the year was £1.449m. This income overachievement was due to interest rates increasing throughout the financial year.

### 3.6 Compliance with Prudential Indicators and Treasury Management Strategy

3.6.1 All Prudential Indicators for 2024/25, have been complied with to date, except for breaches on the Council's current account limits, disclosed below. **APPENDIX 1** reports on the Council's compliance with Prudential Indicators.

Table 2 – Counterparty Limit Breaches

Date in Excess	Amount in Excess £000	Reason	Date Resolved	How Resolved
19/07/2024	£3,198	Funds were redeemed funds to pay Suez waste vehicle, but due to the incorrect invoice it was paid a day late.	20/07/2024	Correct invoice was received on the next day and was paid.
22/07/2024	Lower by £2,397	Human error	23/07/24	Funds were redeemed on the next day
16/09/2024	£280	Unexpected income received towards the end of the day.	17/09/24	Invested on the next day

3.6.2 The Section 151 Officer reports that all treasury management activities undertaken during the second half of the year in review complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy, the above items excepted.

### 3.7 Outlook for 2025/26 (Summary of advice from Mitsubishi UFJ Financial Group (MUFG) Corporate Market)

3.7.1 As widely expected, the Bank of England's Monetary Policy Committee (MPC) cut Bank Rate by 0.25% to 4.25% at its May meeting. Although the decision was recorded as a 5-4 vote in favour of cutting by 0.25%, two committee members voted for a larger 0.5% cut whilst two other members voted to leave Bank Rate unchanged.

3.7.2 Prior to the meeting, markets had expected Bank Rate to be lowered by 0.25% with almost 100% probability. As at mid-June, markets are suggesting a further rate cut is possible in August, but much will depend upon the direction of travel of the

Consumer Price Index (CPI) measure of inflation, which stayed at 3.4% on the May reading, although annual core inflation did fall back to 3.5% whilst services inflation also fell to 4.7%. On the negative side, food inflation rose to its highest since February 2024 (4.4%) as the impact of employers' National Insurance Contribution (NIC) increases impacted.

- 3.7.3 Looking back to the start of the quarter, after initially falling abruptly at the beginning of April following the announcement by President Trump that tariffs would be introduced on imports into the USA, the FTSE (Financial Times Stock Exchange) 100 has since rallied in light of the prospects of a US-UK trade deal to limit tariffs on UK exporters and the prospects of higher defence spending boosting employment. As at mid-June, the FTSE 100 is over 3% higher than it started the financial year. Currently, 8,851 (18 June).
- 3.7.4 The UK's economy expanded 0.7% in the three months to April, matching expectations. However, analysts largely attributed this to companies bringing forward both exports and investment into March, ahead of the potential introduction of US tariffs. Growth is expected to moderate subsequently as this temporary boost unwinds. This outlook is broadly consistent with the latest S&P Global UK Composite Purchasing Managers' Index (PMI) report, which was revised up to 50.3 in May - indicating only marginal growth is anticipated in private sector activity over the quarter.
- 3.7.5 The Chancellor's Spending Review made no changes to the public spending totals set out in March's Budget, leaving day-to-day real spending set to rise by 1.2% a year on average between 2025/26 and 2028/29. Capital spending was forecast to rise from 1.3% a year on average (in real terms) between 2025/26 and 2029/30 to 1.8%. Given that planned spending rises are frontloaded into the early years of the forecast period and the potential need for further increases in defence spending, it is likely that taxes may rise further in the Autumn Budget.
- 3.7.6 From a geopolitical perspective, the Russian invasion of Ukraine and, more recently, the conflicts in the Middle East represent upside inflation risks, particularly if oil prices are ratcheted up, and/or global trade links through the Strait of Hormuz are negatively impacted.
- 3.7.7 Whilst markets are currently expecting Bank Rate to be cut by 0.5% to 3.75% by year end, MUFG Corporate Markets still expect Bank Rate cuts to be a little slower, with Bank Rate forecast to be 4% at year end and reaching 3.75% early in the New Year.

## **4. CONCLUSION**

- 4.1 In compliance with the requirements of the CIPFA Code of Practice, this report provides Members with a summary of the treasury management activity for the financial year 2024/25. As indicated in this report, none of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

## **5. IMPACT ON PRIORITIES AS SET OUT IN THE CORPORATE PLAN 2025 - 2028**

### **5.1 Delivering good quality services.**

- 5.1.1 Strong treasury management is required to ensure services can deliver on corporate objectives, which impact residents.

## **6. IMPLICATIONS**

- (i) **Impact on Customers** – None directly.
- (ii) **Impact on Equalities** – None identified.
- (iii) **Impact on Risk (including Fraud implications)** – This report is mainly about managing liquidity risk. A prudent approach continues to be taken in relation to investment activity with priority being given to security and liquidity over yield.
- (iv) **Impact on Resources (financial)** – These are covered within this report.
- (v) **Impact on Resources (human)** – None directly.
- (vi) **Impact on Devolution / Local Government Reorganisation** – None directly.

Background Papers: None.

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