

## Treasury Management Prudential Indicators – end of year 2024/25

The Chartered Institute of Public Finance and Accountancy published the revised Treasury and Prudential codes in 2021, which now requires quarterly reporting of performance against forward looking prudential indicators. The performance of the Council's treasury management activity, against benchmarks and the key indicators in the Council's Treasury Management Strategy, as approved by Full Council at its meeting of 7 February 2024, are set out below.

### Investments

Cash investment balances as at 31 March 2025 have fallen by 43% in one year, from £202.5m at Q4 2023/24 to £115.3m at Q4 2024/25, due to a combination of reducing reserve levels and a strategy to meet the capital borrowing requirement from internal balances to delay external borrowing. The average investment return over Q4 was 4.96%, performing above the benchmark rate by 41 basis points (or 0.41 percentage points). Performance has improved as a result of Money Market Fund yields holding value for a extended period following a Base Rate reduction and undertaking a number of short-term investments in the Local Authority market which achieved above benchmark rates due to general lack of liquidity and increased demand in the sector.

Quarter	Average Investment Balance £m	Average Investment return	Average Benchmark Rate*	Difference
Q1	217.354	5.48%	5.19%	0.29%
Q2	204.434	5.36%	5.03%	0.33%
Q3	178.026	5.10%	4.80%	0.30%
Q4	142.417	4.96%	4.55%	0.41%

*\*the Benchmark rate used is the Standard Overnight Index Average (SONIA); a rate administered by the Bank of England based on actual transactions of overnight borrowing by financial institutions.*

During Q4 we have monitored the security of the Council's investment, to assess the risk of those investments losing their value. These risks were assessed using the financial standing of the groups invested in, the length of each investment, and the historic default rates. Our investment strategy sets an allowable risk level of 0.050% (i.e. that there is a 99.95% probability that the Council will get its investments back). The actual indicator ranged between 0.007% and 0.008%, reflecting the high proportion of investments held in highly secure and/or very liquid investments.

Investment Risk benchmark	0.050%
Maximum investment risk experienced Q4	0.008%

### Borrowing

The table below shows the Council's total external borrowing and average rate as at 31 March 2025:

	Balance as at 31 March 2025 £m	Average Rate
PWLB	205.142	4.45%
Market Loans	6.450	4.25%
<b>Total borrowing</b>	<b>211.592</b>	<b>4.44%</b>

The table below shows the outturn position of the Capital Financing Requirement (CFR) compared to the forecast position within the 2024/25 strategy approved in February 2024. The closing CFR showed an under-borrowed position of £76.274m, compared to the original estimate of £75.000m under-borrowed. The Strategy throughout the year forecast that the level of reserves and balances in the medium term allowed for internal borrowing of up to £75.000m, and therefore no new external borrowing was expected to be required during the 2024/25 financial

year to support the capital programme. This supports the strategic decision to delay borrowing in the current economic environment where interest rates are expected to fall in the short to medium term.

<b>Capital Financing Requirement (CFR) (Underlying Borrowing Need)</b>	<b>Original Estimate 2024/25 £m</b>	<b>Outturn Position 2024/25 £m</b>
Opening CFR	280.571	271.303
Borrowing Need	32.143	24.279
Minimum Revenue Provision	(7.406)	(7.743)
<b>Closing CFR</b>	<b>304.684</b>	<b>287.839</b>
<b>External Borrowing as at 31 March 2025</b>	<b>229.684</b>	<b>211.592</b>
<b>Under Borrowing Position</b>	<b>75.000</b>	<b>76.247</b>

The table below shows that the Council is operating within the Operational Boundary and Authorised Borrowing Limits set within the Treasury Management strategy and has sufficient headroom to cover the borrowing need arising from the year's capital programme.

<b>Borrowing Limits</b>	<b>Operational Boundary £m</b>	<b>Authorised Borrowing Limit £m</b>
Limit set for 2024/25	393.000	413.000
Less: PFI & Leases	58.000	58.000
Limit for Underlying Borrowing	335.000	355.000
<b>External Borrowing at 31 March 2025</b>	<b>211.592</b>	<b>211.592</b>
<b>Headroom*</b>	<b>123.408</b>	<b>143.408</b>

*\*Authorised Borrowing headroom cannot be less than zero*

The maturity profile of the Authority's borrowing is within the limits set within the strategy.

<b>Maturity Structure of borrowing</b>	<b>Lower Limit set</b>	<b>Upper Limit set</b>	<b>Actual as at 31 March 2025</b>
Under 12 Months	0%	25%	2%
12 months to 2 years	0%	40%	3%
2 years to 5 years	0%	60%	7%
5 years to 10 years	0%	70%	22%
Over 10 years	0%	90%	66%