Audit and Governance Committee

PLYMOUTH CITY COUNCIL

Date of meeting:	22 July 2025
Title of Report:	**Annual report on Treasury management activities for 2024/25**
Lead Member:	Councillor Mark Lowry (Cabinet Member for Finance)
Lead Strategic Director:	Ian Trisk-Grove (Service Director for Finance)
Author:	Wendy Eldridge
Contact Email:	Wendy.eldridge@plymouth.gov.uk
Your Reference:	TM 24/25 Outturn
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

In order to comply with the Code of Practice for Treasury Management, the Council is required to formally report on its treasury management activities for the year, providing information on the progress and outcomes against the Treasury Management Strategy. This report covers the treasury management activities for financial year 2024/25 including the final position on the statutory Prudential Indicators.

This report:

a) is prepared in accordance with the CIPFA Treasury Management Code and the Prudential Code;
b) confirms capital financing, borrowing, debt rescheduling and investment transactions for the year 2024/25;
c) provides an update on the risk inherent in the portfolio and outlines actions taken by the Council during the year to minimise risk;
d) gives details of the outturn position on treasury management transactions in 2024/25;
e) Details compliance with treasury limits and Prudential Indicators (PIs) and outlines the final position on Prudential Indicators for the year.

Recommendations and Reasons

1. To approve the Treasury management Annual Report 2024/25

   Reason: This is to comply with the CIPFA Code of Practice and discharge our statutory requirement

2. To note (as detailed in paragraph 42, Section E of the attached report) that the threshold level of fixed rate exposure for borrowing was exceeded during the year. This was done to mitigate against interest rate risk from temporary borrowing with other local authorities; however in doing so the Council breached the interest rate limit set by the relevant Prudential Indicator.

   Reason: Instances where the council's treasury management activities did not comply with its Prudential Indicator framework should be reported under the CIPFA Code.

Alternative options considered and rejected

None – the Council are required to report on the treasury management activities for the year.

Relevance to the Corporate Plan and/or the Plymouth Plan

Effective financial management is fundamental to the delivery of corporate improvement priorities. Treasury management activity has a significant impact on the Council's activity in revenue budget terms, and underpins the Council's Capital Investment Programme, which is key in the delivery of Corporate Plan priorities.

Implications for the Medium Term Financial Plan and Resource Implications:

In the medium and longer term the Council is facing significant demand pressures, as well as ambitious investment plans to deliver growth and wider benefits in the city. Effective treasury management will be essential in ensuring the Council's cash flows are used to effectively support the challenges ahead.

Financial Risks

There is an inherent risk to any treasury management activity. The Council continues to manage this risk by ensuring all investments are undertaken in accordance with the approved borrowing and investment strategies and keeping the counterparty list under constant review.

Legal Implications

(Provided by Liz Bryant)

There are no legal implications arising directly from this report.

Carbon Footprint (Environmental) Implications:

In 2024/25 the Council maintained a £3.927m investment into the Altana Social Impact Partnership to invest in carbon reduction projects. Many of the capital projects funded by the council's treasury management activities have positive environmental implications.

Other Implications: e.g. Health and Safety, Risk Management, Child Poverty:

No direct implications.

Appendices

Ref.	**Title of Appendix**	**Exemption Paragraph Number** (if applicable) *If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.*						
		1	**2**	**3**	**4**	**5**	**6**	**7**
A	Annual Report on Treasury management Activities for 2024/25							

Background papers:

Title of any background paper(s)	**Exemption Paragraph Number** (if applicable) *If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.*						
	1	**2**	**3**	**4**	**5**	**6**	**7**

Treasury Management Strategy 2024/25 report to Council 8 March 2024							

Sign off:

Fin	ITG.25.26.036	Leg	LS/00003609/34/LB/11/07/25	Mon Off	N/A	HR	N/A	Assets	N/A	Strat Proc	N/A
Originating Senior Leadership Team member: Ian Trisk-Grove											
Please confirm the Strategic Director(s) has agreed the report? Yes Date agreed: 10/07/2025											
Cabinet Member approval: Approved verbally by Cllr Mark Lowry Date approved: 10/07/2025											

Annual Report on Treasury Management activities for 2024/25

Section A: Introduction & Treasury Management position

1. Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's treasury management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code). The CIPFA Code requires the Council to approve a Treasury Management Strategy before the start of each financial year and, as a minimum, a half-year and annual treasury management outturn report. This report presents the 2024/25 treasury management outturn position, and as such fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

2. Sections B and C of the report describe the authority's borrowing and investment activity (including non-treasury investments) during the financial year 2024/25 and the treasury management outturn position for the year. Section D sets out commentary from the council's treasury management advisors on the external context for this activity. As required by the 2021 CIPFA Code (mandatory from 1 April 2023), the outturn position for the Council's treasury management prudential indicators is detailed in Section E alongside other compliance and assurance matters. Finally, Section F closes the report by looking ahead at the economic outlook for 2025/26.

3. The Authority's Treasury Management Strategy for 2024/25 was approved by the City Council at its meeting in March 2024. The Authority 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 Authority's treasury management strategy.

4. On 31 March 2025, the Authority had net borrowing of £703m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The movement in these key areas across the 2024/25 financial year is summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31/03/24 Actual £m	2024/25 Movement £m	31/03/25 Actual £m
General Fund CFR	808	62	870
Less: Other debt liabilities *	(110)	11	(99)
Borrowing CFR	**698**	**73**	**771**
Less: Usable reserves	(72)	18	(54)
Less: Working capital	30	(44)	(14)
Net borrowing	**656**	**47**	**703**

* *finance leases, PFI liabilities and transferred debt that form part of the Council's total debt.*

5. The Council's Capital Financing Requirement increased through the year, driven by its capital investment programme, with a borrowing requirement increasing to £703m (noting there has been an £11m adjustment to PFI liability, due to the implementation of new accounting standard IFRS16 from 1 April 2024). The Authority pursued its strategy of keeping actual borrowing below underlying levels (sometimes known as internal borrowing) to reduce risk and to reduce interest costs.

Section B: Borrowing and Investment Activity

6. As outlined in the Treasury Management Strategy, the Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing lower interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective. The Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

7. The Public Works Loan Board (PWLB) certainty rate for 10-year maturity loans was 4.80% at the beginning of the period and 5.42% at the end. The lowest available 10-year maturity rate was 4.52% and the highest was 5.71%. Rates for 20-year maturity loans ranged from 5.01% to 6.14% during the period, and 50-year maturity loans from 4.88% to 5.88%.

8. For the majority of the year the cost of short-term borrowing from other local authorities closely tracked Base Rate at around 5.00% - 5.25%. However, from late 2024 rates began to rise, peaking at around 6% in February and March 2025.

9. CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes. The Authority has no plans to borrow to invest primarily for financial return.

10. At 31 March 2025, the Council held £703m of loans, an increase of £47m from prior year, as part of its strategy for funding previous years' capital programmes. The borrowing position at 31 March 2025 and the change during the year is detailed in table 2 below (shown over).

Table 2: Borrowing Activity

Loans	Balance on 01/04/2024 £m	Movement £m	Balance on 31/03/2025 £m	Average Interest Rate %
Public Works Loan Board	483	68	551	3.46
Banks - LOBOs	64	(10)	54	4.40
Other Loans	24	(6)	18	4.37
Short Term Borrowing	85	(5)	80	0.94
TOTAL BORROWING	**656**	**47**	**703**	**3.27**
Other Long Term Liabilities	110	(11)	99	
TOTAL EXTERNAL DEBT	**766**	**36**	**802**	
Less Total Investments (see table 3)	(79)	(11)	(90)	4.81
Net Borrowing	**687**	**25**	**712**	

11. Short term borrowing includes £80m of loans from other local authorities on 3-12 month loan terms. Whilst rates for these inter-local authority loans are comparatively low, the Council holds a corresponding interest rate risk (the risk that interest rates may go up).

12. To mitigate interest rate risk, the Council entered into an interest rate swap agreement in April 2020, securing a fixed rate of 0.56% on a notional amount of £75 million for a 20 year term. The swap arrangement benchmarked against the Sterling Over Night Index Average (SONIA). During the 2024/25 financial year, with the SONIA rate averaging 4.90%, the Council derived significant benefit from the swap arrangement, receiving a drawdown from the hedge instrument.

LOBO Loans

13. On 1 April 2024 the Authority held £64m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate and terms or to repay the loan at no additional cost.

14. As market interest rates have risen, there was increased probability of call options on the LOBOs being exercised by lenders. £10m of LOBO loans had annual/semi-annual call option dates during the year to 31 March 2025, with lenders exercising options on the following loans:

LOBO Loan (Lender option exercised)	Amount £m	Rate %	Final Maturity	New Rate Proposed	Action taken by PCC
Dexia Credit Local 7411	5	4.04	30/08/2077	5.52	*Initially repaid through cash balances held, refinanced later with PWLB*
Dexia Credit Local 7412	5	3.97	21/11/2077	6.00	*Initially repaid through cash balances held, refinanced later with PWLB*

15. Although not classified as borrowing, the Council has other capital finance from Private Finance Initiatives (PFI) and finance leases - as at 31 March 2025 this financing totalled £99m. PFI and finance leases are other ways of financing capital investment, though usually represent a more expensive form of financing. The Council's current PFI debt is historic and will be repaid by 2040.

16. 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 highest 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 income.

17. At 31 March 2025 the Council held £90m of cash and investments (see table 3) which was an increase of £11m from 31 March 2024.

Table 3: Investment Activity in 2024/25

Investments	Balance on 01/04/2024 £m	Movement £m	Balance on 31/03/2025 £m	Average Rate/Yield (%)
Short term Investments (Banks and call accounts)	1	-	1	1.63
Money Market Funds	23	12	35	4.51
Other Pooled Funds	50	-	50	5.66
Other Investments	5	(1)	4	2.42
TOTAL INVESTMENTS	**79**	**11**	**90**	**4.81**

18. Investment values for pooled funds is shown at notional cost in the table above. Within the council's Statement of Accounts, these pooled fund investments are reported at fair value – as at 31 March 2025 the council's pooled fund investments had a fair value of £48.464m (compared to £47.250m as at 31 March 2024), largely reflecting an increase in fair value for a property fund investment. The

Council's investment in the Altana Social Investment Fund (previously known as the Public Sector Social Impact Fund) has been reclassified within 'Other investments' rather than as a pooled fund. The investment period for this fund concluded on 17 January, with £1.073 million of undeployed capital from the original £5 million investment returned to the Council during the 2024/25 financial year. The strategy for holding these funds is to achieve greater returns, with regular review of the capital value of the investment compared to original cost. The externally managed funds (bond, equity, multi-asset and property) with the CCLA, Schroder, ASIF and Fidelity have generated a total return for the year of £2.980m (2023/24 £3.128m). Investment income has been used to support treasury management activities during the course of the year.

19. It is important to note that the capital value of the Council's Pooled Investment funds will fluctuate dependent on market conditions. Any unrealised capital losses will not have an impact on the revenue budget or General Fund, with the capital value only realised if the funds were sold. The Pooled Investments have no defined maturity date but are available for withdrawal after a notice period. The Council continues to regularly review its investment in these funds together, drawing on advice from its treasury management advisors.

Other Non-Treasury Holdings and Activity

20. During 2024/25, the Council held £228m of direct property investments under its Property Regeneration Fund; a portfolio of property assets maintained primarily to support the Council's regeneration and economic development objectives. These non-treasury investments generated £3.205m of investment income for the Council after taking account of direct costs, representing a net revenue return of 1.41% after allowing for payments to a void reserve and a lifecycle maintenance reserve. The gross return on the Property Regeneration Fund is higher than the return earned on treasury investments, but reflects the additional risks to the Council of holding such investments.

Section C: Treasury management Outturn 2024/25

21. The treasury management budget is held as a separate budget under the Finance Department within the Council's General Fund, with the Council's interest received from investments and the financing costs of borrowing managed within this budget. Table 4 below sets out performance against this budget during 2024/25. The Council's treasury management activities for the year delivered a £6.011m underspend compared to the approved budget, mainly arising from changes in the level of Minimum Revenue Provision (MRP) required as a result of the change in timing for recognition of the Council's application for a capitalisation direction.

22. Additional income was received through higher balances being held within Money Market Funds, and with the SONIA rate remaining higher than budgeted resulting in a strong return from the interest rate swap arrangement. Higher fixed rate interest costs were incurred in 2024/25 as the Council switched part of its borrowing from short term to longer term PWLB borrowing with fixed rates to limit exposure to the risk of higher interest rates.

Table 4. Treasury management Outturn Position 2024/25

Position at Outturn	**2024/25 Budget**	**2024/25 Outturn**	**Outturn variance**	**2025/26 Budget**
	£m	**£m**	**£m**	**£m**
Interest Payable	24.018			
LOBO and other long term loans		3.383		3.128
PWLB (Public Works Loan Board)		16.504		20.136
Temporary loans		1.081		0.923
Other Interest and charges		1.766		2.136
Recharge to Departments for Unsupported Borrowing (in accordance with business cases)	(18.650)	(18.084)		(19.680)
Total Interest Payable	**5.368**	**4.650**	**(0.718)**	**6.643**
Interest Receivable	(4.354)			
Pool Funds		(2.980)		(2.611)
Money Market Fund		(2.166)		(1.500)
Other Interest		(0.340)		(0.431)
Total Interest Receivable	**(4.354)**	**(5.486)**	**(1.132)**	**(4.542)**
Other Payments	0.564	0.777		0.552
Debt Management	0.160	0.140		0.160
Amortised Premiums	0.544	0.544		0.544
Total Other Charges	**1.268**	**1.461**	**0.193**	**1.256**
Minimum Revenue Provision	**19.850**	**15.496**	**(4.354)**	**20.504**
TOTAL	**22.132**	**16.121**	**(6.011)**	**23.861**

(Brackets show a favourable variation)

23. The Minimum Revenue Provision (MRP) is a charge to the revenue budget that is made each year for monies to repay the Council's borrowing. MRP charges are posted the year after expenditure has been incurred, or the year when an asset becomes operational (whichever is the latter). The 2024/25 budget included provision for MRP arising from the Council's application for a capitalisation direction, however this was not required during 2024/25 as the capitalisation direction was not granted during the year.

24. Under regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 SI 2003/146, as amended, local authorities are required to charge to their revenue account, for each financial year, MRP for the cost of their unfinanced capital expenditure. The Council uses the annuity method to calculate its MRP and spreads the cost of the borrowing over the economic life of the assets, considering the time value of money.

25. The cost of borrowing to finance 'invest to save' capital schemes is charged to departments, together with a provision made for MRP. The figures above include the borrowing implications of investments within the Property Regeneration Fund, as well as the recharge of these costs to the Economic Development department.

Section D: External context for 2024/25 treasury management activities

(commentary provided by Arlingclose)

Economic background:

26. In October 2024, the Office for Budget Responsibility predicted that the UK's economy would grow during 2025 by 1%. Inflation predictions for 2025 were pushed up, to 3.2% from 2.6%, before falling back to target in 2027. After revising its interest rate forecast in November following the Budget, the Council's treasury management advisor, Arlingclose, has maintained its stance that Bank Rate will fall to 3.75% during 2025.

27. UK annual Consumer Price Index (CPI) inflation continued to stay above the 2% Bank of England (BoE) target in the later part of the period. The Office for National Statistics (ONS) reported headline consumer prices at 2.8% in February 2025, down from 3.0% in the previous month and below expectations. Core CPI also remained elevated, falling slightly in February to 3.5% from 3.7% in January, just below expectations for 3.6% but higher than the last three months of the calendar year.

28. The UK economy Gross Domestic Product (GDP) grew by 0.1% between October and December 2024, unrevised from the initial estimate. This was an improvement on the zero growth in the previous quarter, but down from the 0.4% growth between April and June 2024. Of the monthly GDP figures, the economy was estimated to have contracted by 0.1% in January, worse than expectations for a 0.1% gain.

29. The BoE's Monetary Policy Committee (MPC) held Bank Rate at 4.5% at its March 2025 meeting, having reduced it in February. This follows earlier 0.25% cuts in November and August 2024 from the 5.25% peak. At the March MPC meeting, members voted 8-1 to maintain Bank Rate at 4.5%, with the one dissenter preferring another 25 basis points cut. The meeting minutes implied a slightly more hawkish tilt compared to February when two MPC members wanted a 50bps cut. In the minutes, the Bank also upgraded its Q1 2025 GDP forecast to around 0.25% from the previous estimate of 0.1%.

30. The February Monetary Policy Report (MPR) showed the BoE expected GDP growth in 2025 to be significantly weaker compared to the November MPR. GDP is forecast to rise by 0.1% in Q1 2025, less than the previous estimate of 0.4%. Four-quarter GDP growth is expected to pick up from the middle of 2025, to over 1.5% by the end of the forecast period. The outlook for CPI inflation showed it remaining above the MPC's 2% target throughout 2025. It is expected to hit around 3.5% by June before peaking at 3.7% in Q3 and then easing towards the end of the year but staying above the 2% target. The unemployment rate was expected to rise steadily to around 4.75% by the end of the forecast horizon, above the assumed medium-term equilibrium unemployment rate of 4.5%.

31. Financial market sentiment was reasonably positive over most of the period, but economic, financial and geopolitical issues meant the trend of market volatility remained. In the latter part of the period, volatility increased, and bond yields started to fall following a January peak, as the economic uncertainty around likely US trade policy impacted financial markets. Yields in the UK and US started to diverge in the last month of the period, with the former rising around concerns over the fiscal implications on the UK government from weaker growth, business sentiment and higher rates, while the latter started falling on potential recession fears due to the unpredictable nature of policy announcements by the US President and their potential impact.

32. The 10-year UK benchmark gilt yield started the period at 3.94% and ended at 4.69%, having reached a low of 3.76% in September and a high of 4.90% in January in between. While the 20-year gilt started at 4.40% and ended at 5.22%, hitting a low of 4.27% in September and a high of 5.40% in January. The Sterling Overnight Rate (SONIA) averaged 4.90% over the period.

33. The period in question ended shortly before US President Donald Trump announced his package of 'reciprocal tariffs', the immediate aftermath of which saw stock prices and government bond yields falling and introduced further uncertainty over the economic outlook.

Credit review:

34. Credit default swap prices generally trended lower over the period but did start to rise modestly in March, but not to any levels considered concerning. Once again, price volatility over the period remained generally more muted compared to previous periods. Financial market volatility is expected to remain a feature, at least in the near term and, credit default swap levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remain under constant review.

35. In October, Arlingclose revised its advised recommended maximum unsecured duration limit on most banks on its counterparty list to six months. Duration advice for the remaining five institutions, including the newly added Lloyds Bank Corporate Markets, was kept to a maximum of 100 days. This advice remained in place at the end of the period.

36. On local authorities, S&P assigned a BBB+ to Warrington Council, having previously withdrawn its rating earlier in 2024, and withdrew its rating for Lancashire County Council due to the council deciding to stop maintaining a credit rating. However, it still holds a rating with Fitch and Moody's. Moody's withdrew its rating of Cornwall Council after it chose to no longer maintain a rating.

Section E: Prudential Indicators 2024/25

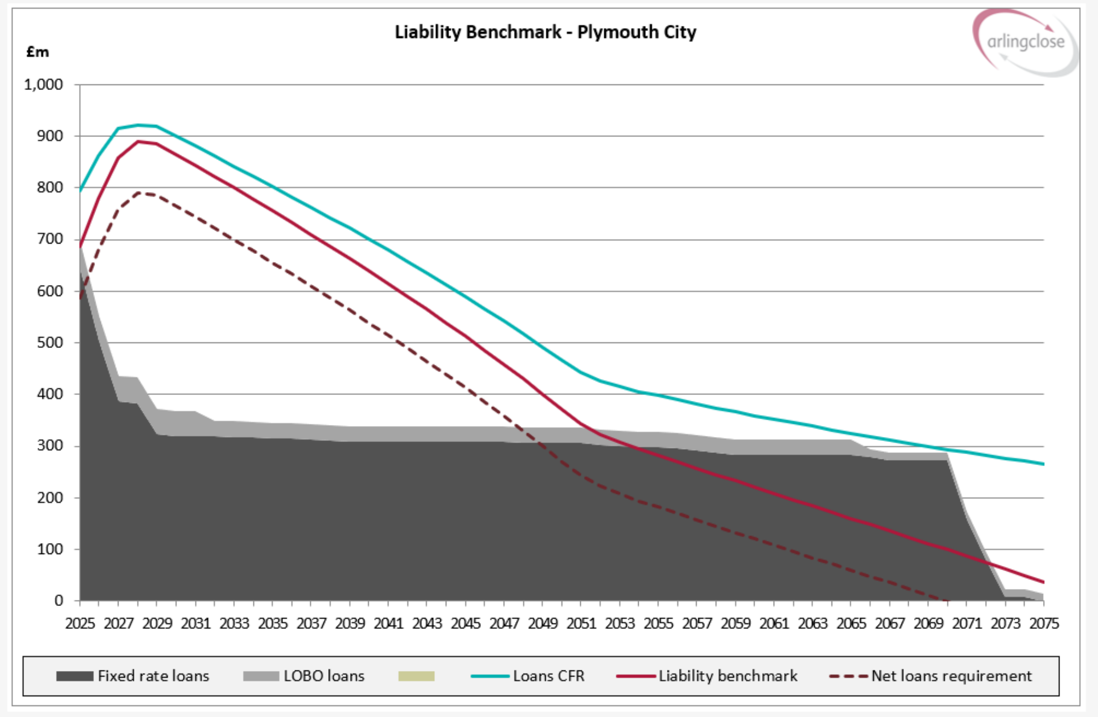
As required by the 2021 CIPFA Treasury management Code, the Authority monitors and measures the following treasury management Prudential Indicators:

37. **Liability Benchmark:** This new indicator compares the Authority's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future and so shapes its strategic focus and decision

making. It represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

	31.3.25 Actual £m	31.3.26 Forecast £m	31.3.27 Forecast £m
Loans CFR	794.4	862.3	915.7
Less: Balance sheet resources	(207.5)	(182.5)	(157.5)
Net loans requirement	586.8	679.8	758.2
Plus: Liquidity allowance	100.0	100.0	100.0
Liability benchmark	**686.8**	**879.8**	**857.2**
Existing borrowing	**710.8**	**560.8**	**443.2**

38. Following on from the medium-term forecast above, the long-term liability benchmark assumes capital expenditure funded by borrowing of £703m as a starting point, with further borrowing requirements driven by the council's capital investment plans. Minimum revenue provision on new capital expenditure is assumed to reduce underlying borrowing levels over time, based on a typical 25-year asset life. Income, expenditure and reserves are all assumed to increase through inflation. The resulting liability benchmark is shown in the chart below together with the maturity profile of the Authority's existing borrowing.



39. Whilst borrowing may be above the liability benchmark, strategies involving borrowing which is significantly above the liability benchmark carry higher risk. The council's forecast liability benchmark is significantly above its existing borrowing profile, indicating a prudent approach to borrowing.

Officers will continue to work with the Council's advisors Arlingclose to reassess the liability benchmark and review the long-term borrowing position.

40. **Interest Rate Exposures:** This indicator is set to control the Council's exposure to interest rate risk. For 2024/25, the upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed, were set as follows.

	2024/25 Limit	31.03.2025 Actual	Complied
Upper limit on fixed interest rate exposure	80%	89%	x
Upper limit on variable interest rate exposure	50%	11%	✓

Fixed rate borrowings are those where the rate of interest is fixed for the whole financial year or more. Instruments that mature during the financial year are classed as variable rate.

41. The strategy for borrowing whilst long term rates were high was to secure short-term borrowing through other local authorities to re-finance loans maturing in 2024/25, and finance any in year cashflow requirements. The cost of short-term borrowing from other local authorities increased above PWLB rates in the latter part of the year. During the final quarter of 2024/25, short term interest rates were higher, compared to the lower 1 year+ PWLB rate – the decision was taken to utilise the latter option, which has resulted in fixed rate exposure limit (80%) being exceeded during the year. Details of the 1 year+ PWLB loans taken are shown in the table below, noting that £100m is repayable in 2025/26 together with a further £40m borrowed prior to 2024/25.

New PWLB 2024/25 Repayable in	£m	Interest rate %
2025/26	100	4.84 – 5.09
2026/27	40	4.87 – 4.86
Total	140	4.95

Note that of the £140m new PWLB borrowing, £72m represents refinancing loans which matured during 2024/25.

42. **Maturity Structure of Borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing set and achieved for 2024/25 were:

	Upper Limit	Lower Limit	31.03.2025 Actual	Complied
Under 12 months	50%	20%	25%	✓
12 months and within 24 months	25%	0%	6%	✓
24 months and within 5 years	25%	0%	10%	✓
5 years and within 10 years	25%	0%	4%	✓
10 years and above	80%	50%	55%	✓

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

43. **Principal Sums Invested for Periods Longer than 365 days:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end were:

	2023/24	2024/25
Limit on principal invested beyond year	£10m	£10m
Actual	£0m	£0m
Complied	✓	✓

44. **Security**: The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment.

	Target	Actual	Complied
Portfolio average credit rating	A	AA	✓

45. **Liquidity**: The Council aims to hold sufficient cash in call accounts to cover its daily cashflow requirements. To mitigate the liquidity risk of not having cash available to meet unexpected payments the Council has access to borrow additional, same day, cash from other local authorities. During quarter 4 of 2024/25 available cash at affordable interest rates was limited making it more cost effective to draw 1 year+ monies from PWLB.

46. **Gross Debt and the Capital Financing Requirement:** In order to ensure that over the medium term debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudent borrowing. The Council fell well within this limit for the period.

47. The actual debt levels are monitored against the **Operational Boundary** and **Authorised Limit** for External Debt below.

Operational Boundary	31.03.25 Boundary £m	31.03.25 Actual Debt £m	Complied
Borrowing	850	703	✓
Other long-term liabilities	219	99	✓
Total Debt	**1,069**	**802**	✓

The operational boundary is based on the Council's estimate of most likely (i.e. prudent, but not worst case) scenario for external debt. It links directly to the Council's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-

term liabilities comprise finance leases, Private Finance Initiative financing and other liabilities that are not borrowing but form part of the Council's debt.

Authorised Limit	31.03.25 Limit £m	31.03.25 Actual Debt £m	Complied
Borrowing	900	703	✓
Other long-term liabilities	269	99	✓
Total Debt	**1,169**	**802**	✓

The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Other compliance and assurance matters

48. **Accounting for pooled investment funds**. In 2025, amendments were made to the 2003 Capital Financing Regulations to remove the statutory override that had previously exempted local authorities from compliance with accounting standards for pooled investment funds. However, for investments made before 1 April 2024, the statutory override was extended to 2029, meaning that the Council's accounting treatment for its historic pooled fund investments is unaffected.

49. **Training and skills**. Officers have undergone a range of training provided by CIPFA and Arlingclose (which has been delivered mainly online). Arlingclose deliver online weekly 30-minute updates on a range of treasury management matters and supplementary short workshops on key activities. An experienced, long-serving officer retired from the treasury management team shortly after the 2024/25 financial year end; whilst we have recruited successfully to fill this post, additional training and development will be required during 2025 to ensure skill sets and experience within the team remain adequate. The Council will continue to draw upon advice and guidance from its treasury management advisors Arlingclose.

Section F: Outlook for the remainder of 2025/26

(commentary provided by Arlingclose)

50. UK headline consumer price inflation (CPI) increased over the quarter, rising from an annual rate of 2.6% in March to 3.4% in May, well above the Bank of England's 2% target. The core measure of inflation also increased, from 3.4% to 3.5% over the same period. May's inflation figures were generally lower than in the previous month, however, when CPI was 3.5% and core CPI 3.8%. Services inflation was 4.7% in May, a decline from 5.4% in the previous month.

51. Data released during the period showed the UK economy expanded by 0.7% in the first quarter of the calendar year, following three previous quarters of weaker growth. However, monthly GDP data showed a contraction of 0.3% in April, suggesting growth in the second quarter of the calendar year is unlikely to be as strong as the first.

52. Arlingclose, the authority's treasury adviser, maintains its central view that Bank Rate will continue to fall, and that the Bank of England will focus more on addressing weak GDP growth rather than stickier and above-target inflation. Two more cuts to Bank Rate are expected during 2025, taking the main policy rate to 3.75%, however the balance of risks is deemed to be to the downside as weak consumer sentiment and business confidence and investment impact economic growth.