

This report is public	
Treasury Management Report – Annual Performance Report 2024/25	
Committee	Accounts, Audit and Risk Committee
Date of Committee	28 May 2025
Portfolio Holder presenting the report	Deputy Leader and Portfolio Holder for Finance, Property & Regeneration, Councillor Lesley McLean
Date Portfolio Holder agreed report	7 May 2025
Report of	Assistant Director of Finance (S151), Michael Furness

Purpose of report

To provide information on treasury management performance and compliance with treasury management policy for 2024-25 as required by the Treasury Management Code of Practice.

To demonstrate that all treasury management activities undertaken during the reporting period complied with the CIPFA Code of Practice and the council's approved Treasury Management Strategy.

1. Recommendations

The Accounts, Audit and Risk Committee resolves:

- 1.1 To note the contents of this Treasury Management Annual Performance Report.
- 1.2 To recommend the report to Council.

2. Executive Summary

- 2.1 The council complies with the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires scrutiny of the quarterly Treasury Management reports.
- 2.2 The council's Treasury Management Strategy for 2024-25 was approved by Council on 26 February 2024. The Treasury indicators have been included in this report as per the 2021 CIPFA Treasury Management in the Public Services Code of Practice requirements.
- 2.3 The council's Capital Strategy covering capital expenditure and non-treasury investments, complying with CIPFA's requirement, was approved by full Council on 26 February 2024. As per 2021 CIPFA Prudential Code for Capital Finance in Local Authorities the Prudential indicators have been attached in Appendix 1.

Implications & Impact Assessments

Implications	Commentary			
Finance	There are no financial implications arising directly from any outcome of this report. Joanne Kaye, Head of Finance, 8 May 2025			
Legal	The presentation of the report is required by regulations issued under the Local Government Act 2003 - to review the treasury management activities, the actual prudential indicators and the treasury related indicators. Shiraz Sheikh, Assistant Director Law and Governance and Monitoring Office, 8 May 2025			
Risk Management	It is essential that this report is considered by the Audit Committee as it demonstrates that the risk of not complying with the council's Treasury Management Policy has been avoided. This and any other risks related to this report will be managed through the service operational risk and escalated to the leadership risk register as and when necessary. Shona Ware, Assistant Director of Customer Focus, 9 May 2025			
Impact Assessments	Positive	Neutral	Negative	Commentary
Equality Impact		X		Not applicable
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		Not applicable
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		X		Not applicable
Climate & Environmental Impact		X		Investments made in line with approved Treasury Strategy
ICT & Digital Impact				Not applicable
Data Impact				Not applicable

Procurement & subsidy				Not applicable
Council Priorities	Not applicable			
Human Resources	Not applicable			
Property	Not applicable			
Consultation & Engagement	Not applicable			

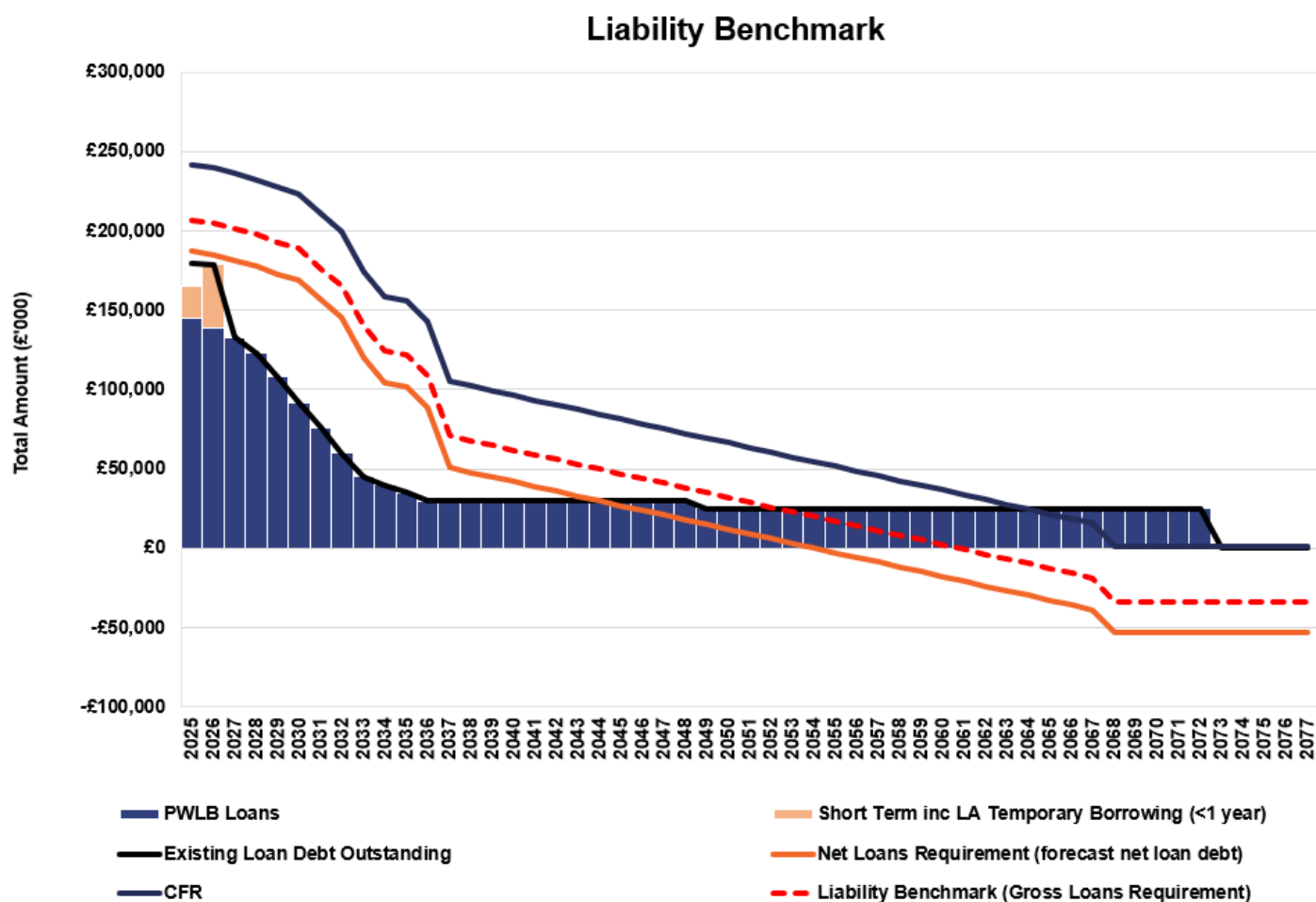
Supporting Information

3. Background

- 3.1 It is a statutory duty for the council to determine and keep under review its affordable borrowing limits. During 2024/25, the council has operated within the treasury and prudential indicators set out in the council's Treasury Management Strategy Statement for 2024/25. The Assistant Director of Finance reports that no difficulties are envisaged for future years in complying with these indicators.
- 3.2 As at the end of March 2025 the council had borrowing of £165m, with an arranged overdraft of £15m while investments were reduced to £5m – a net borrowing position of £160m.
- 3.3 An in-year contribution of £0.522m has been made to the Interest rate equalisation reserve, to ensure that the council has reserves should interest rates remain higher than forecast for refinancing maturing loans. This contribution was approved by Exec. Details are included in table 12.
- 3.4 The Liability benchmark is a prudential indicator which shows the Capital Financing Requirement, loan requirements and committed loans in a 50-year forecast. The graph below demonstrates that the council is expecting its loans to decrease in line with the Capital Financing Requirement. It also demonstrates that the council is not in an overborrowed position.

This graph shows, that with the approved Capital programme, that there will be no loan requirement by 2053. The shortfall between the Capital Financing Requirement and net loan requirement is made up of internal borrowing from reserves and working capital.

Table 1: Liability benchmark



4. Details

Borrowing performance for year ending 31 March 2025

- 4.1 The council continues to pursue its strategy of keeping borrowing below its Capital Financing requirements, this is referred to as internal borrowing, in order to reduce risk and borrowing costs.
- 4.2 The council's chief 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.

Table 2: Borrowing Position for year ended 31 March 2025

	Borrowing Amount £m	Average Interest Rate	Interest Paid Budget £m	Interest Paid Actual £m	Variance to Date £m
April 2024 to March 2025	178 (average)	2.59%	4.520	4.370	(0.150)
As at 31/03/25	165	2.57%	-	-	-

* Interest payable relates to external loans only, excluding finance lease and other interest

- 4.3 As a comparison, the table below shows average borrowing rates.

Cherwell District Council

Table 3: High / Low / Average PWLB Rates for 01/04/2024 – 31/03/2025

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.77%	4.31%	4.52%	5.08%	4.88%
Date	26/02/2025	17/09/2024	17/09/2024	17/09/2024	17/09/2024
High	5.61%	5.34%	5.71%	6.18%	5.88%
Date	29/05/2024	13/01/2025	13/01/2025	13/01/2025	09/01/2025
Average	5.14%	4.86%	5.07%	5.56%	5.32%
Spread	0.84%	1.03%	1.19%	1.10%	1.00%

Source: [Link](#)

- 4.4 Interest payable for the full year is below the budget. Due to the interest rates remaining higher than forecast when the 24/25 budget was set, the refinancing of the £15m loan that matured in February 2025, has been delayed until May 2025 as officers anticipate being able to secure better rates then. To ensure that the council had enough funds over year end an overdraft facility was arranged with NatWest which has resulted in a saving compared to the cost of carry on refinancing the loan in February at high interest rates.

A full list of current borrowing as at 31 March 2025 is shown in table 4:

Table 4: Borrowing

Lender	Principal Borrowed £m	Maturity Date
Cornwall Council 6-month maturity	10	22/04/2025
Cornwall Council 9-month maturity	10	18/07/2025
PWLB 6-year maturity	6	25/09/2025
PWLB 7-year maturity	6	19/09/2026
PWLB 5-year maturity	10	26/07/2027
PWLB 10-year maturity	10	31/05/2028
PWLB 6-year maturity	5	26/07/2028
PWLB 7-year maturity	10	26/07/2029
PWLB 10-year maturity	6	25/09/2029
PWLB 8-year maturity	10	26/07/2030
PWLB 11-year maturity	6	19/09/2030
PWLB 9-year maturity	16	26/07/2031
PWLB 10-year maturity	15	26/07/2032
PWLB 15-year maturity	5	31/05/2033
PWLB 15-year maturity	5	25/09/2034
PWLB 16-year maturity	5	19/09/2035
PWLB 30-year maturity	5	31/05/2048
PWLB 50-year maturity	25	10/11/2071
TOTAL	165	

- 4.5 The council monitors its exposure to refinancing risk with the maturity structure of borrowing indicator. While it is important to have flexibility to navigate changing market conditions is it critical that loan repayments are spread appropriately. The lower limit has been considered but kept at zero to ensure that the council is not forced into taking borrowings in a particular category that would lock it into an unfavourable borrowing situation. Borrowing has been kept as short term as

possible while the interest rates have been at record highs. Refinancing for up to two years will increase once the interest rates have reduced.

Table 5: Maturity structure of borrowing

Refinancing rate risk indicator	Upper limit	Lower limit	Actual structure
Under 12 months	50%	0%	15.76%
12 months and within 24 months	50%	0%	3.64%
24 months and within 5 years	60%	0%	30.91%
5 years and within 10 years	70%	0%	28.48%
10 years and above	80%	0%	21.21%

Investment performance for year as of 31 March 2025

- 4.6 Funds available for investment are on a temporary basis because the council prioritises keeping borrowing to a minimum and only invests surplus funds retained to meet its commitments. The level of funds available is mainly dependent on the timing of precept payments, receipt of grants and funding of the Capital Programme.
- 4.7 Treasury income from investments have earned more interest than expected due to interest rates reducing more slowly than forecast and active investment management. The short-dated money market investments have also performed better than budgeted throughout this year. Table 6 below shows the investment position during and at the end of the reporting period.

Table 6: Investment Position

	Investment Amount £m	Average Interest Rate	Interest Earned Budget £m	Interest Earned Actual £m	Variance to Date £m
April 24 to March 2025	27 (average)	5.09%	(1.482)	(1.704)	(0.222)
As at 31/03/25	5	4.56%	-	-	-

- 4.8 As a comparison Table 7 below shows average money-market rates keeping in mind that the council has an average investment period of 30 days.

Table 7: Average Investment Rates for the reporting period

FINANCIAL YEAR TO QUARTER ENDED 31/03/2025							
	Bank Rate	SONIA	7 day	30 day	90 day	180 day	365 day
High	5.25	5.20	5.20	5.21	5.23	5.26	5.33
High Date	02/04/2024	03/05/2024	13/05/2024	26/06/2024	26/07/2024	26/07/2024	01/08/2024
Low	4.50	4.45	4.46	4.46	4.58	4.73	5.02
Low Date	06/02/2025	12/02/2025	13/02/2025	12/03/2025	31/03/2025	31/03/2025	31/03/2025
Average	4.95	4.90	4.91	4.94	5.02	5.11	5.22
Spread	0.75	0.75	0.75	0.75	0.65	0.53	0.30

*SONIA (Sterling Overnight Index Average) is an interest rate benchmark published by the Bank of England.
Source: [Link](#)

- 4.9 While maintaining a balance between security, liquidity and yield the council is always looking for ways to invest sustainably (or green investments). However Environmental, Social and Governance (ESG) is the fourth priority of Treasury Management after security, liquidity and yield.

While the council does not currently have any fixed deposits, three of the Money Market funds meet the criteria pursuant to Article 8 of the Sustainable Finance Disclosure Regulation (Regulation EU/2019/2088). These are highlighted in green in Table 8. A full list of current investments is shown in Table 8.

Table 8: Investments

Counterparty	Principal Deposited £m	Maturity Date / Notice period
<u>Fixed Term Deposits</u>		
Nil		
<u>Money Market Funds</u>		
Legal & General Investment Management	5.00	Same day
Federated Investors UK	0.02	Same day
Northern Trust Asset Managements	0.02	Same day
CCLA Investment Management Limited	0.02	Same day
Goldman Sachs Asset Management	0.14	Same day
TOTAL	5.20	

- 4.10 Compliance with investment limits are detailed in Table 9 below:

Table 9: Investment Limits

Counterparty	2024/25 Limit £m	Complied?
UK Central Government	Unlimited	Yes
Other Local Authorities	5 each	Yes
Any group of organisations under the same ownership	5 per group	Yes
Approved counterparties – Banks/Building Societies	3 each	Yes
Any group of pooled funds under the same management	5 per manager	Yes
Money Market Funds total	15 in total	Yes

- 4.11 The council has set limits for long term Treasury Management Investments in its strategy. This indicator seeks to support control of liquidity risk and reduce the potential need to have to make an early exit from an investment in order to recover funds. The indicator relates solely to the council's investments for treasury management purposes.

Table 10: Limits for Long Term Treasury Management Investments

	2024/25 Limit set £m	Complied?
Limit on principal invested beyond year end	5	Yes

Non-treasury investment activity

- 4.12 The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the council. This is replicated in the government's Statutory Guidance on Local Government Investments, in which the definition of investments is further broadened to also include all such assets that provide a financial return.
- 4.13 As of 31 March 2025, the council holds £102.8m of investments that qualify under the code in the form of shares (£35.6m) and loans (£67.2m) to subsidiary companies and other organisations, primarily Graven Hill and Crown House.
- 4.14 This year the council received its second dividend from Graven Hill of £0.5m. This has resulted in a net surplus on non-treasury investments of (£0.429m).
- 4.15 The loan elements of these non-treasury investments can generate a higher rate of return than that earned on treasury investments due to the commercial nature of the loans issued. Table 11 below shows the investment position for this reporting period.

Table 11: Non-treasury Investment Position

	Investment Amount £m	Average Interest Rate	Interest Earned Budget £m	Interest Earned Actual £m	Variance to Date £m
April 24 to March 2025	66.65 (average)	6.76%	(4.487)	(4.916)	(0.429)
As at 31/03/25	67.20	5.99%	-	-	-

Overall performance

- 4.16 The overall performance for the 2024/25 financial year is:

Table 12: Overall Treasury Position

	Budget 24/25 £m	Actual 24/25 £m	Variance to date £m
Borrowing costs	4.520	4.370	(0.150)
Other interest paid	0.769	(0.001)	(0.770)
Treasury income	(1.482)	(1.704)	(0.222)
Non-treasury income	(4.487)	(4.916)	(0.429)
Transferred to Reserves	0.522	0.522	0
Total cost/(income)	(0.158)	(1.729)	(1.571)

- 4.17 The largest budget variance is for other interest paid. Historically the council has ringfenced interest of funding on receipts received in advance and set this aside in case the funding was recalled. However, following a review, the council now feels

that it has set aside sufficient funding and levels are prudent. As such, further interest on balances received in advance will be retained within the general fund.

This approach will be kept under review by finance to consider whether sufficient resources are available should any funding need to be returned.

4.18 The surplus has been increased by the unbudgeted dividend from Graven Hill of £0.500m within Non-treasury income.

4.19 While the Treasury budget has delivered a surplus of £1.571m for the year, this includes £0.522m which was transferred to the Market Risk and Interest Rate Equalisation Reserves during the course of 2024/25. This means there was a total surplus before approved in-year transfers to reserves of £2.093m.

Interest rate forecast

4.20 The council has appointed MUFG Corporate Markets (previously known as Link Group) as its treasury advisors and part of their service is to assist the council to formulate a view on interest rates. The latest forecast sets out a view that short, medium and long-dated interest rates are expected to slowly reduce over the next year until settling at 3.50% in December 2026.

Table 13: Link Forecast Rates published on 31 March 2025

Interest Rate Forecasts								
Bank Rate	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
MUFG CM	4.50%	4.25%	4.25%	4.00%	3.75%	3.75%	3.75%	3.50%
Cap Econ	4.50%	4.25%	4.25%	4.00%	3.75%	3.50%	3.50%	3.50%
5Y PWLB RATE								
MUFG CM	5.00%	4.90%	4.80%	4.70%	4.60%	4.50%	4.40%	4.40%
Cap Econ	5.20%	4.90%	4.70%	4.50%	4.50%	4.50%	4.40%	4.40%
10Y PWLB RATE								
MUFG CM	5.30%	5.20%	5.10%	5.00%	4.90%	4.80%	4.70%	4.70%
Cap Econ	5.50%	5.30%	5.00%	4.80%	4.80%	4.70%	4.60%	4.60%
25Y PWLB RATE								
MUFG CM	5.80%	5.70%	5.60%	5.50%	5.40%	5.30%	5.20%	5.10%
Cap Econ	6.00%	5.70%	5.40%	5.10%	5.00%	4.90%	4.90%	4.80%
50Y PWLB RATE								
MUFG CM	5.50%	5.40%	5.30%	5.20%	5.10%	5.00%	4.90%	4.80%
Cap Econ	5.60%	5.40%	5.20%	5.00%	4.90%	4.80%	4.70%	4.70%

*Cap Econ is an abbreviation for Capital Economics who provide macroeconomic insight, analysis and data.

Source: Link

5. Alternative Options and Reasons for Rejection

5.1 The nature of this report is such that alternative options are not appropriate. It is an option to request further information on the performance reported.

6 Conclusion and Reasons for Recommendations

6.1 This report details the Treasury Performance for the council for the year ending 31 March 2025. It is submitted to the Accounts, Audit and Risk Committee for information as required by the Treasury Management Code of Practice.

Decision Information

Key Decision	N/A
Subject to Call in	N/A
If not, why not subject to call in	N/A
Ward(s) Affected	All

Document Information

Appendices	
Appendix 1	Prudential Indicators
Background Papers	None
Reference Papers	Treasury Management Report – Midyear review Performance Report 2024/25 with Capital Prudential indicators https://modgov.cherwell.gov.uk/documents/s57458/Treasury%20Management%20report.pdf https://modgov.cherwell.gov.uk/documents/s57436/Appendix%201%20-%20Capital%20Prudential%20Indicators.pdf
Report Author	Janet du Preez – Finance Business Partner – Treasury and Insurance
Contact details	janet.du-preez@cherwell-dc.gov.uk 01295 221606
Corporate Director Approval (unless Corporate Director or Statutory Officer report)	S151 Officer, Michael Furness, 7 May 2025