

<b>This report is public</b>	
<b>Treasury Management Report – Q3 2024/25 (December 2024)</b>	
<b>Committee</b>	Accounts, Audit and Risk Committee
<b>Date of Committee</b>	19 March 2025
<b>Portfolio Holder presenting the report</b>	Deputy Leader and Portfolio Holder for Finance, Property & Regeneration Councillor Lesley McLean
<b>Date Portfolio Holder agreed report</b>	10 February 2025
<b>Report of</b>	Assistant Director of Finance (S151 Officer)

## **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 Q3 2024/25 report.

## **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.

Implications & Impact Assessments

Cherwell District Council

<b>Implications</b>	<b>Commentary</b>			
<b>Finance</b>	There are no financial implications arising directly from any outcome of this report. Lynsey Parkinson, Strategic Finance Business Partner 16 January 2025			
<b>Legal</b>	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 and confirm compliance with the Code. More information can be requested if this is needed to review the contents further. Shiraz Sheikh, Assistant Director of Law and Governance and Democratic Services and Monitoring Officer - 29 January 2025			
<b>Risk Management</b>	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. Celia Prado-Teeling, Performance Team Leader 01295 221556 - 29 January 2025			
<b>Impact Assessments</b>	Positive	Neutral	Negative	Commentary
<b>Equality Impact</b>		X		Not applicable
<b>A</b> Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		Not applicable
<b>B</b> Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		X		Not applicable
<b>Climate &amp; Environmental Impact</b>				Not applicable
<b>ICT &amp; Digital Impact</b>				Not applicable

<b>Data Impact</b>				Not applicable
<b>Procurement &amp; subsidy</b>				Not applicable
<b>Council Priorities</b>	Not applicable			
<b>Human Resources</b>	Not applicable			
<b>Property</b>	Not applicable			
<b>Consultation &amp; Engagement</b>	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 the first three quarters of 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 the current or future years in complying with these indicators.
- 3.2 As at the end of December 2024 the council had borrowing of £180m and investments of £36.6m – a net borrowing position of £143.4m. This is a reduction from the net borrowing position of £149m at 30/09/24. This was expected due to the cashflow cycle of collecting taxes over 10 months while paying the associated precepts out over 12 months.
- 3.3 Overall, Treasury Management is forecast to be underspent, due to interest rates remaining higher than expected and prudent borrowing activities. A contribution will be made again this year to the Interest rate equalisation reserve, to ensure that the council has reserves should interest rates remain higher than forecast for refinancing maturing loans. Details are included in tables 11 and 12.

### 4. Details

#### **Borrowing performance for year as of 31 December 2024**

- 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 requires external borrowing to fund its capital programme and has a total debt of £180m at the date of this report with a comparatively low forecast interest rate of 2.65% for the 2024/25 financial year. It should be noted that as loans

become due for renewal it is likely that short term borrowing will increase as interest rates are still higher than they were in previous years.

- 4.3 The council's main 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 quarter ended 31 December 2024

	<b>Borrowing Amount £m</b>	<b>Average Interest Rate</b>	<b>Interest Paid Budget £m</b>	<b>Interest Paid Actual £m</b>	<b>Variance to Date £m</b>
April to Dec 24	181 (average)	2.57%	3.327	3.224	(0.103)
As at 31/12/24	180	2.81%	-	-	-

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

- 4.4 As a comparison, the table below shows average borrowing rates, published by the council's treasury advisors Link.

Table 3: Average borrowing rates for the reporting period

**HIGH/LOW/AVERAGE PWLB RATES FOR 02.04.24 – 31.12.24**

	<b>1 Year</b>	<b>5 Year</b>	<b>10 Year</b>	<b>25 Year</b>	<b>50 Year</b>
<b>02/04/2024</b>	5.39%	4.72%	4.80%	5.28%	5.07%
<b>31/12/2024</b>	5.20%	5.12%	5.43%	5.91%	5.68%
<b>Low</b>	4.78%	4.31%	4.52%	5.08%	4.88%
<b>Low date</b>	17/09/2024	17/09/2024	17/09/2024	17/09/2024	17/09/2024
<b>High</b>	5.61%	5.16%	5.44%	5.92%	5.69%
<b>High date</b>	29/05/2024	19/12/2024	19/12/2024	19/12/2024	27/12/2024
<b>Average</b>	5.22%	4.80%	4.96%	5.43%	5.21%
<b>Spread</b>	0.83%	0.85%	0.92%	0.84%	0.81%

- 4.5 The £15m loan maturing in February 2025 has not been refinanced. To avoid having to bear the cost of current high interest rates an overdraft facility with our bank will be put in place for February, March and April 2025. This will allow the loan to be refinanced at more favourable rates in the new financial year. A full list of current borrowing is shown below:

Table 4: Borrowing

<b>Lender</b>	<b>Principal Borrowed £m</b>	<b>Maturity Date</b>
West Midlands Combined Authority 1-year maturity	15	13/02/2025
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
<b>TOTAL</b>	<b>180</b>	

- 4.6 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 it is 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.

Table 5: Maturity structure of borrowing

Refinancing rate risk indicator	Upper limit	Lower limit	Actual structure
Under 12 months	50%	0%	22.78%
12 months and within 24 months	50%	0%	3.33%
24 months and within 5 years	60%	0%	22.78%
5 years and within 10 years	70%	0%	31.67%
10 years and above	80%	0%	19.44%

### Investment performance 1 April to 31 December 2024

- 4.7 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.
- 4.8 The Bank of England has not cut interest rates in line with the forecast at the time the budget was set. As a result, more interest was earned on investments which have been moved into reserves. Table 6 below shows the investment position during and at the end of the reporting period.

Table 6: Investment Position for quarter ended 31 December 2024

	Investment Amount £m	Average Interest Rate	Interest Earned Budget £m	Interest Earned Actual £m	Variance to Date £m
April to Dec 24	30.2 (average)	5.22%	(1.111)	(1.409)	(0.298)
As at 31/12/24	36.6	4.99%	-	-	-

- 4.9 Table 7 below shows average money-market rates. The council has an average investment period of 30 days at the average investment rate of 4.99% which is in line with the average investment rate.

Table 7: Average investment rates for the reporting period

FINANCIAL YEAR TO QUARTER ENDED 31/12/2024						
	Bank Rate	SONIA	1 mth	3 mth	6 mth	12 mth
High	5.25	5.20	5.21	5.20	5.17	5.08
High Date	02/04/2024	03/05/2024	27/06/2024	17/04/2024	31/05/2024	30/05/2024
Low	4.75	4.70	4.69	4.62	4.50	4.17
Low Date	07/11/2024	07/11/2024	16/12/2024	31/12/2024	30/10/2024	17/09/2024
Average	5.06	5.01	4.99	4.93	4.83	4.62
Spread	0.50	0.50	0.52	0.58	0.66	0.91

Source: Link

- 4.10 While the council is always looking for ways to invest sustainably (or green investments) this must be done within the criteria laid out in the approved Treasury Management Strategy with counterparties that meet the council's investment criteria. Security, liquidity and yield remain the primary investment considerations as required by the Treasury Management Code.

The council continues to invest in three Money Market funds that meet the criteria pursuant to Article 8 of the Sustainable Finance Disclosure Regulation (Regulation EU/2019/2088). These are highlighted in green in the full list of current investments in Table 8 below.

- 4.11 A full list of current investments is shown in Table 8 below:

Table 8: Investments

Counterparty	Principal Deposited £m	Maturity Date / Notice period
<u>Fixed Term Deposits</u>		
Lancashire County Council	1.00	03/01/2025
Cornwall Council	5.00	06/01/2025
East Hertfordshire District Council	5.00	16/01/2025
London Borough of Barking & Dagenham	3.00	20/01/2025

Great Yarmouth Borough Council	2.00	23/01/2025
Qatar National Bank	3.00	13/02/2025
National Bank of Kuwait (International) Plc	3.00	13/02/2025
Surrey County Council	3.00	13/02/2025
London Borough of Barking & Dagenham	2.00	13/02/2025
Surrey County Council	2.00	13/02/2025
<u>Money Market Funds</u>		
<b>Legal &amp; General Investment Management</b>	1.94	Same day
Federated Investors UK	5.00	Same day
<b>Northern Trust Asset Managements</b>	0.02	Same day
CCLA Investment Management Limited	0.02	Same day
<b>Goldman Sachs Asset Management</b>	0.62	Same day
<b>TOTAL</b>	<b>36.60</b>	

4.12 Compliance with investment limits are detailed in Table 9 below:

Table 9: Investment Limits

<b>Counterparty</b>	<b>2024/25 Limit £m</b>	<b>Complied?</b>
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

### **Non-treasury investment activity**

4.13 The definition of investments in CIPFA's revised Treasury Management Code 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.

4.14 As of 31 December 2024, the council holds £102.4m of investments that qualify under the code in the form of £35.6m shares and £66.8m loans to subsidiary companies and other organisations, primarily Graven Hill and Crown House.

- 4.15 The loan elements of these non-treasury investments generate a higher rate of return than that earned on treasury investments due to the commercial nature of the loans issued. Table 10 below shows the investment position for this reporting period.

Table 10: Non-treasury Investment Position

	Investment Amount £m	Average Interest Rate	Interest Earned Budget £m	Interest Earned Actual £m	Variance to Date £m
April to Dec 24	66.75 (average)	6.76%	(3.365)	(3.382)	(0.017)
As at 31/12/24	66.75	6.76%	-	-	-

### Overall performance

- 4.16 The overall performance for the period April to December 24, is:

Table 11: Overall Treasury Position for the Period

	Budget 24/25 £m	Actual 24/25 £m	Variance to date £m
Borrowing costs	3.327	3.224	(0.103)
Other interest payable	0.000	0.000	0.000
Treasury income	(1.111)	(1.409)	(0.298)
Non-treasury income	(3.365)	(3.382)	(0.017)
Transferred to Reserves	0.522	0.522	0.000
<b>Total cost/(income)</b>	<b>(0.627)</b>	<b>(1.045)</b>	<b>(0.418)</b>

- 4.17 Interest on sums of S106 funding held by the council (budgeted for under other interest payable) is calculated at year end using the S106 year-end balances and an average bank rate.
- 4.18 In October 2025 the Treasury Management activities was forecast to be underspent by (£0.637m). It was decided to transfer £0.522m to the Interest rate equalisation reserve, leaving only the original underspent forecast of (£0.115m) as reported for Q2 24/25. The forecast underspend remains at (£0.115m) for Q3 24/25.

Table 12: Overall Treasury Position Forecast to Year End



	Full Year Budget £m	Full Year Actual £m	Full Year Variance £m
Borrowing costs	4.520	4.511	(0.009)
Other interest payable	0.769	0.818	0.049
Treasury income	(1.482)	(1.614)	(0.132)
Non-treasury income	(4.487)	(4.510)	(0.023)
Transferred to Reserves	0.522	0.522	0.000
<b>Total cost/(income)</b>	<b>(0.158)</b>	<b>(0.273)</b>	<b>(0.115)</b>

## Interest rate forecast

- 4.19 The council has appointed Link Group (from the 20 January 2025 will be known as MUFG Corporate Markets) 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 will slowly reduce over the next year until it settles at 3.50% in December 2026.

Table 13: Link Forecast Rates published on 11 November 2024

Link Group Interest Rate View	11.11.24												
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
<b>BANK RATE</b>	4.75	4.50	4.25	4.00	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50
3 month ave earnings	4.70	4.50	4.30	4.00	4.00	4.00	3.80	3.80	3.80	3.50	3.50	3.50	3.50
6 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
12 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
5 yr PWLB	5.00	4.90	4.80	4.60	4.50	4.50	4.40	4.30	4.20	4.10	4.00	4.00	3.90
10 yr PWLB	5.30	5.10	5.00	4.80	4.80	4.70	4.50	4.50	4.40	4.30	4.20	4.20	4.10
25 yr PWLB	5.60	5.50	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.50
50 yr PWLB	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.40	4.30	4.30

## 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 first three quarters of 2024/25. It is submitted to the Accounts, Audit and Risk Committee for information as required by the Treasury Management Code of Practice.

## Decision Information

<b>Key Decision</b>	n/a
<b>Ward(s) Affected</b>	All

## Document Information

<b>Appendices</b>	
<b>Appendix 1</b>	None
<b>Background Papers</b>	None
<b>Reference Papers</b>	<p>Treasury Management Report – Midyear review Performance Report 2024/25 with Capital Prudential indicators</p> <p><a href="https://modgov.cherwell.gov.uk/documents/s57458/Treasury%20Management%20report.pdf">https://modgov.cherwell.gov.uk/documents/s57458/Treasury%20Management%20report.pdf</a></p> <p><a href="https://modgov.cherwell.gov.uk/documents/s57436/Appendix%201%20-%20Capital%20Prudential%20Indicators.pdf">https://modgov.cherwell.gov.uk/documents/s57436/Appendix%201%20-%20Capital%20Prudential%20Indicators.pdf</a></p> <p>Treasury Management Strategy 2024-25  <a href="https://modgov.cherwell.gov.uk/documents/s55393/Appendix%202021%20-%20Treasury%20Management%20Strategy%202024-25.pdf">https://modgov.cherwell.gov.uk/documents/s55393/Appendix%202021%20-%20Treasury%20Management%20Strategy%202024-25.pdf</a></p>
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<b>Corporate Director Approval (unless Corporate Director or Statutory Officer report)</b>	Report of S151 Officer 29 January 2025