



Wednesday, 23 July 2025

Report of Councillor Ashley Baxter -  
The Leader of the Council,  
Cabinet Member for Finance, HR and  
Economic Development

## Treasury Management Annual Report 2024/25

### Report Author

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### Purpose of Report

This report provides Governance and Audit Committee with the details of the Council's treasury management activity for the financial year 2024-2025.

### Recommendations

**Governance and Audit Committee is requested to approve the Annual Report on Treasury Management activity for 2024/25.**

### Decision Information

Does the report contain any exempt or confidential information not for publication? No

What are the relevant corporate priorities? Effective council

Which wards are impacted? All

## **1. Implications**

Taking into consideration implications relating to finance and procurement, legal and governance, risk and mitigation, health and safety, diversity and inclusion, safeguarding, staffing, community safety, mental health and wellbeing and the impact on the Council's declaration of a climate change emergency, the following implications have been identified:

### ***Finance***

- 1.1 The financial implications are included within the report.

*Completed by: Richard Wyles, Deputy Chief Executive and Section 151 Officer.*

### ***Legal and Governance***

- 1.2 The Council is under a duty to manage its resources prudently and therefore due consideration must always be given to the borrowing and lending strategy. A wide range of local authority finance activities, including borrowing, lending, financial management and the approval of types of investment vehicle are governed by legislation and various regulations. This report provides details of the Council's performance in respect of Treasury Management against policy set out as part of the Budget and Policy Framework. Members should note the performance and scrutinise any elements to assist the role of the Governance and Audit Committee in its review of the Treasury Management Strategy.

*Completed by: James Welbourn, Democratic Services Manager*

## **2. Background to the Report**

- 2.1 The Local Government Act 2003 and associated regulations require the Council to produce:
  - an annual treasury management review of activities
  - actual prudential and treasury indicators for 2023/2024.
- 2.2 This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

### **3. Key Considerations**

3.1 For the financial year 2024-2025, the Council adhered to Prudential Code reporting requirements with members receiving the following reports:

- An annual treasury management strategy in advance of the year which was approved by Council on 29 February 2024.
- A first quarter treasury management activity update on 24 September 2024.
- A mid-year treasury update report which was approved by Governance and Audit Committee on 27 November 2024.
- A third quarter treasury management activity update on 19 March 2025
- An annual review following the end of the year describing the activity compared to the strategy (this report).

3.2 Governance and Audit Committee has delegated powers to deal with matters relating to the Council's treasury management activities. Specifically, it has the responsibility to monitor, review, and amend as appropriate the Council approved Treasury Management Strategy during the financial year. During the course of the year no further changes were made.

3.3 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report provides details of the outturn position for treasury activities and highlights compliance with the policies previously approved and adopted by the Council.

#### **Treasury Position as at 31 March 2025**

3.4 The Strategy for 2024/25 was approved on 29 February 2024.

3.5 A key element of daily operations focuses on comparing current market conditions in conjunction with the MUFG (formerly Link) credit rating list. The list is a tool for guidance, which would only be deviated from when clear better alternative options are available. Where such decisions are taken, a clearly documented audit trail is maintained.

3.6 The aim of the Strategy is to generate a list of highly creditworthy counterparties which enables diversification of investments and thus avoidance of risk whilst providing security.

3.7 A summary of the Council's treasury position at 31 March 2025 is as follows:

## Actual Debt Management Activity During 2024-2025

Actual Borrowing Position	31 March 2024		31 March 2025	
	Principal	Average Rate	Principal	Average Rate
<b>Fixed Interest Rate Debt</b>	£82.991m	2.48%	£79.769m	2.50%
<b>Capital Financing Requirement</b>	£100.876m		£104.145m	
<b>Over/(Under) Borrowing</b>	(£17.885m)		(£24.376m)	

Investment Position	31 March 2024		31 March 2025	
	Principal	Average Rate	Principal	Average Rate
<b>Fixed interest Investments</b>	£55.000m	5.567%	£42.000m	5.030%
<b>Variable Interest Investments</b>	£18.420m	5.258%	£20.767m	5.200%
<b>Total Investments</b>	£73.420m	5.430%	£62.767m	5.110%

3.8 The £79.769m (wholly HRA debt) is split between short term and long-term borrowing as follows:

- Short-term - £3.221m which is repayable within the next 12 months
- Long-term - £76.548m

## Actual Investment Activity During 2024/25

3.9 The Council's investment policy is governed by MHCLG (Ministry of Housing, Communities and Local Government) guidance, which was implemented in the Annual Investment Strategy approved by the Council on 29 February 2024. The investment activity during the year complied with the approved strategy throughout the whole year. During the year the Council had no liquidity difficulties.

3.10 At 31 March 2025 the Council held short and long-term investments of £62.767m and was compliant with the Council's policy to hold not more than 35% of investments as long-term. This includes a £3m in the CCLA (Church, Charities, and Local Authorities) Local Authority Property Fund.

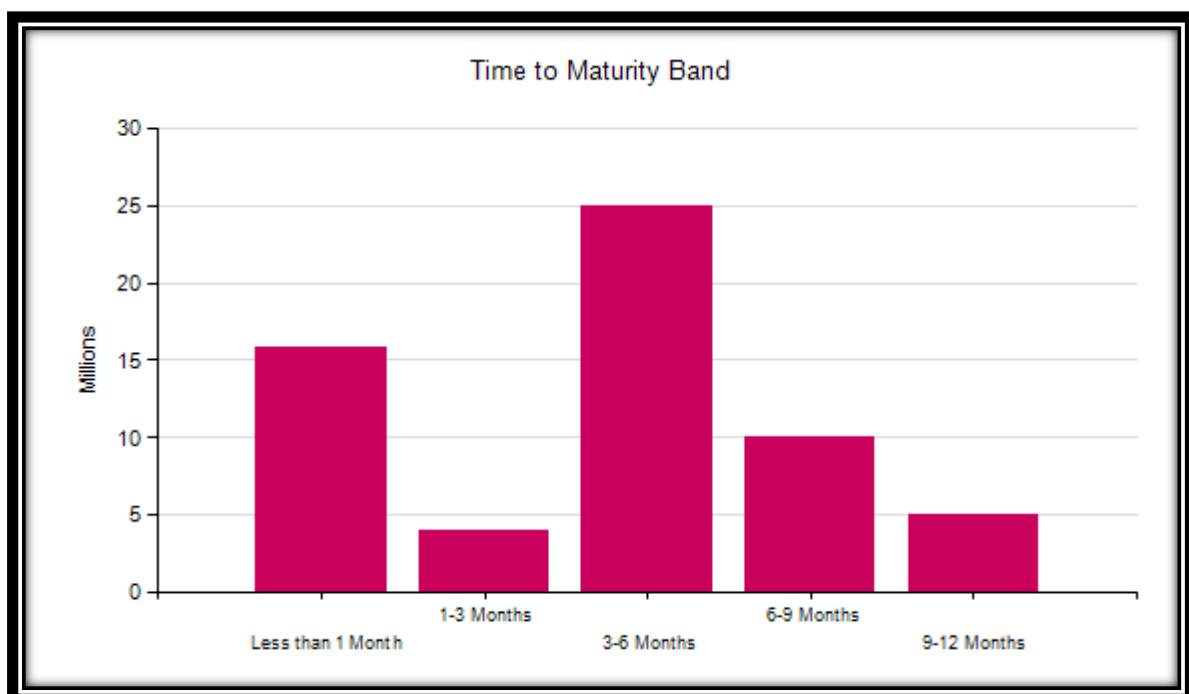
3.11 The CCLA Local Authority Property Fund invests in property, on behalf of the Council. The value of any investment in the fund will fluctuate in line with property market values. The Council considers this a long-term investment that it has

entered into for a minimum of five years as this mitigates the risk of fluctuations in the value of the investment which was £2.619m at 31 March 2025 which is an improvement on the previous year end value of £2.529m.

- 3.12 The primary reason for investing in the fund was that the quarterly dividend payment provides a significantly higher return than other investments. The dividend payable for the year was £0.131m which equates to a 4.35% return on the initial £3m investment.
- 3.13 Over the life of the investment the Council has achieved dividends totalling £0.628m which is in excess of the current notional loss in value of £0.381m. Under the accounting rules for this type of investment any gains or losses on the overall fund value would need to be credited or charged to the General Fund. Currently, a statutory override is in place and as part of the Local Government Finance Settlement for 2025/26 the Government decided to extend this until 1 April 2029. This was welcome news for the Council because any potential losses that could have been charged to the revenue account will be avoided.
- 3.14 The total amount of variable rate investments has decreased between 31 March 2024 and 31 March 2025 from £18.420m to £13.767m, respectively. This was to ensure that the Council was able to achieve a return on investments and also able to meet its cashflow commitments due to the careful structuring of its investments. There were no cashflow issues during 2024/25.
- 3.15 During 2024/25 The Council continued to place emphasis on ESG (Environmental, Social and Governance) investments. It is the aim to maintain at least 10% of the portfolio of this type of investment where possible which has been achieved over the last financial year.
- 3.16 In 2024/25 the Council had budgeted investment returns of £3.013m. The provisional outturn is £3.985m an additional £0.972m in excess of budget. This was achieved through a combination of attaining higher interest rates and the placement of investments for longer durations.
- 3.17 The duration and counterparties of investments as at 31 March 2025 are shown in the following graphs. When investments are placed the duration is determined by taking into consideration the treasury advice received from MUFG (formerly Link), and the cashflow for the Council. A wide number of counterparties are used as the Council has recommended investment limits that can be placed with each institution which assists with risk management.

	Country	Institution	Instrument Type	Start	Maturity	Yield	Principal
CAN		National Bank of Canada	Fixed Term Deposit	28/02/2025	29/08/2025	4.47%	£5,000,000
							£5,000,000
GBR		Reading Borough Council	Fixed Term Deposit	11/10/2024	11/04/2025	4.85%	£3,000,000
		Newcastle Building Society	Fixed Term Deposit	22/04/2024	22/04/2025	5.00%	£2,000,000
		Standard Chartered Bank	Fixed Term Deposit	04/11/2024	02/05/2025	4.69%	£4,000,000
		Santander UK PLC	Call (95 Day Notice)			4.45%	£10,000,000
		Plymouth City Council	Fixed Term Deposit	21/02/2025	25/07/2025	5.55%	£5,000,000
		Lloyds Bank Plc (RFB)	Fixed Term Deposit	31/01/2025	31/07/2025	4.53%	£5,000,000
		Highland Council	Fixed Term Deposit	25/10/2024	24/10/2025	4.75%	£5,000,000
		Lancashire County Council	Fixed Term Deposit	31/10/2024	30/10/2025	4.80%	£5,000,000
		Standard Chartered Bank	Fixed Term Deposit	28/02/2025	27/02/2026	4.51%	£5,000,000
							£44,000,000
MMF		MMF LGIM	Money Market Fund			4.51%	£5,000,000
		MMF Aberdeen	Money Market Fund			4.54%	£5,000,000
		MMF BNP Paribas	Money Market Fund			4.53%	£767,000
							£10,767,000
<b>Total</b>							<b>£59,767,000</b>

\*MMF – Money Market Funds



3.18 Treasury advisers, MUFG, also provide benchmarking of comparative information across all their clients which helps the Council understand how its investment portfolio is performing in relation to others.

3.19 The table below shows for each quarter analysis the average rate of return was above average when compared to other District Councils within the comparative group. This reflects the prudent approach to managing risk and return to maximise investment returns whilst balancing exposure to risk.

Quarter Ending	SK WARoR	District WARoR*	SK WA Credit Risk**	District WA Credit Risk**
<b>Q1 June 2025</b>	5.41%	5.22%	3.65%	2.45%
<b>Q2 September 2025</b>	5.06%	5.00%	3.44%	2.29%
<b>Q3 December 2025</b>	4.84%	4.82%	3.38%	2.13%
<b>Q4 March 2025</b>	4.68%	4.67%	2.82%	2.06%

\*WARoR – Weighted average rate of return

\*\* WA Credit Risk – Weighted Average Credit Risk Number

3.20 As part of the Prudential Code, the Council sets a number of prudential and treasury indicators as part of the Treasury Strategy, the estimated performance against these indicators was provided in the Treasury Strategy approved on 29 February 2024 and the actual performance against these indicators is detailed at Appendix A.

### **Economic Outlook**

3.21 UK inflation has proved fluctuated throughout 2024/25. Having started the financial year at 2.3%, the CPI measure of inflation briefly dipped to 1.7% in September before picking up pace again in the latter months. The latest data shows CPI rising with a strong likelihood that it will reach 3.5% by Autumn 2025.

3.22 Alongside this the continued war in Ukraine, as well as the potentially negative impact on global growth of US tariff policies announced by President Trump in April 2025, Bank Rate reductions have been limited. UK interest rates have remained volatile; Bank rate is currently 4.50% and expected to continue to fall during the year to 3.75% by March 2026.

3.23 Borrowing has become increasingly expensive in 2024/25. Gilt yields rose significantly after the Chancellor's Autumn Statement, and the loosening of fiscal policy. They have remained elevated ever since, as dampened growth expectations and the minimal budget contingency have stoked market fears that increased borrowing will need to be funded during 2025.

## **Summary**

3.24 The Council's treasury management functions have operated effectively during 2024/25 and have achieved the following:

- Repayment of principal has been secured in all deposits.
- The Council's cash liquidity requirement has been met throughout the financial year.
- Investment income levels have exceeded the amended budget as investment levels were higher than originally estimated.
- The Council has achieved investment returns greater than the benchmark average.
- Robust management of the Council's debt position.
- Prudential indicators set for 2024/25 have been achieved.

## **4. Other Options Considered**

4.1 No other options were considered.

## **5. Reasons for the Recommendations**

5.1 To meet statutory obligations for treasury management.

## **6. Background Papers**

### **Treasury management Strategy 2024/25**

[http://moderngovsvr/documents/s41022/Appendix%20F%20-%202024-25%20Treasury%20Management%20Strategy%20Statement.pdf?LO\\$=1](http://moderngovsvr/documents/s41022/Appendix%20F%20-%202024-25%20Treasury%20Management%20Strategy%20Statement.pdf?LO$=1)

### **Treasury management Mid-Year review 2024/25**

[http://moderngovsvr/documents/s44316/2024-25%20Quarter%202%20Treasury%20Management%20Activity.pdf?LO\\$=1](http://moderngovsvr/documents/s44316/2024-25%20Quarter%202%20Treasury%20Management%20Activity.pdf?LO$=1)

## **7. Appendices**

7.1 Appendix A – Capital Prudential and Treasury Indicators 2025/26-2027/28