LONDON BOROUGH OF CAMDEN	WARDS: All
REPORT TITLE Annual Treasury Management Outturn Report 2024/25	
REPORT OF Cabinet Member for Finance and Cost of Living	
FOR SUBMISSION TO Audit and Corporate Governance Committee Cabinet Council	**DATE** 2 July 2025 17 September 2025 25 September 2025

STRATEGIC CONTEXT

We Make Camden is our shared vision for the borough, co-created with our community. To realise the bold ambitions of our residents, a strong and effective treasury management strategy is essential. Our strategy underpins our commitment to strong financial management, a core pillar of We Make Camden and our approach to medium term financial planning. By ensuring sound stewardship of public finances, we can support the delivery of the priorities that matter most to our communities.

SUMMARY OF REPORT

This report presents the Council's treasury outturn position and activity for the 2024/25 financial year. It outlines how the Council has complied with regulatory requirements and treasury indicators and provides an update on the economic context influencing treasury decisions and performance during 2024/25.

Local Government Act 1972 – Access to Information

No documents that require listing have been used in the preparation of this report.

Contact Officer: Saul Omuco
Head of Finance Treasury and Pensions
Corporate Services
Dennis Geffen Annexe
Camley Street. N1C 4DG.
Tel: 020 7974 7116
Email: Saul.Omuco@camden.gov.uk

RECOMMENDATIONS

1. **Audit and Corporate Governance Committee** is asked to consider the report and make any recommendations to the Cabinet.

2. **Cabinet** is recommended to note the Treasury Management Annual Report (section 3) and recommend to Council for approval.

3. **Council** is recommended to approve the content of the Treasury Management Outturn Report for 2024/25 and compliance with all Prudential Indicators.

Signed: Signed by the Director of Finance

Date: 13 June 2025

1. Purpose of Report

1.1. The report outlines how the Council has complied with regulatory requirements and treasury indicators and provides an update on the economic context influencing treasury decisions and performance during 2024/25. The Council is required under the Local Government Act 2003 to produce an annual review of treasury management activities, including a summary of actual prudential and treasury indicators for the year 2024/25. This report satisfies the obligations set out by the CIPFA Code of Practice on Treasury Management and the Prudential Code for Capital Finance in Local Authorities.

1.2. In accordance with the prudential regulations the council's Treasury Management Strategy Statement and Prudential Indicators for 2024/25 were approved at Council on 4 March 2024. The investment and borrowing of cash exposes the Council 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 have therefore been central to the council's successful approach to treasury management during the year.

2. Context and background

2.1. This report provides an update on the Council's treasury management activities for the financial year 2024/25. It assesses how these activities have complied with the Treasury Management Strategy approved for the year and the effectiveness of decisions made under that strategy.

<u>Key Highlights</u>

2.1.1. The Council has maintained a consistent risk profile and prudent investment and borrowing strategies.

2.1.2. Economic conditions remain uncertain and volatile, with central banks worldwide continuing efforts to curb inflation amidst looming recessionary risks. This climate necessitates a cautious and measured financial approach.

2.1.3. The Council has not pursued high-risk commercial investments, which have contributed to financial instability elsewhere. Investment decisions continue to prioritise capital security while seeking reasonable returns.

2.1.4. Camden has avoided the financial pitfalls experienced by some councils, notably those related to imprudent lending or underperforming commercial ventures. Instead, our strategy prioritises long-term financial sustainability and support for the capital programme.

2.1.5. No new external borrowing is planned at present. The internal borrowing policy remains sound and cost-effective, delivering annual savings of approximately £3.7 million.

2.1.6. The Council has operated fully within its treasury and prudential indicators during 2024/25, reflecting strong governance and effective financial control.

2.1.7. The North London Waste Authority (NLWA) continues to borrow significant sums (totalling £590m to date, with further borrowing expected in late 2025). These funds are co-invested alongside Camden's own balances, increasing overall investment levels. The underlying approach remains unchanged, and governance over these funds rests with NLWA. This report includes co-invested NLWA balances but excludes direct reporting of NLWA borrowing, which is handled separately under NLWA governance.

3. Treasury Management Annual Report 2024/25

Borrowing

3.1. Over the course of the 2024/25 financial year, the Council maintained its prudent and carefully considered borrowing strategy, which is fundamentally based on internal borrowing. This approach involves making use of the Council's existing internal resources, such as general reserves and positive working capital balances to temporarily finance capital expenditure, instead of taking on new external debt from capital markets or government sources like the Public Works Loan Board (PWLB).

3.2. This strategy was underpinned by three interrelated considerations:

- The Council's ongoing and structural need to borrow, linked to its long-term capital investment commitments;
- The continued availability of internal resources (reserves and working capital) that can be utilised to support capital spending, delaying or avoiding the need for new external borrowing;
- The cost differential between borrowing rates (e.g., from the PWLB or market lenders) and the returns achievable on cash investments (commonly referred to as the 'cost of carry').

3.3. By continuing to rely on internal borrowing, the council has avoided locking in higher interest rates on long-term borrowing, thereby preventing avoidable costs to its revenue budgets. This decision has proved financially sound, given that external borrowing rates remained relatively high across the financial year, while investment returns on surplus cash holdings remained modest. Had the Council proceeded with new long-term borrowing in March 2025 at the prevailing rate of 5.87% for 50-year loans, it would have incurred a cost of carry of approximately £3.7 million, without an immediate need for that funding.

Borrowing Position and Capital Financing Requirement

Table 1

	31-Mar-24			31-Mar-25		
	Value	**Average interest rate (%)**	**Avg life (yrs)**	**Value**	**Average interest rate (%)**	**Avg life (yrs)**
Fixed rate (PWLB) borrowing	£190m	4.68	**18.42**	£169m	4.57	**19.66**
Variable rate (market) borrowing	£125m	4.43	**26.69**	£125m	4.43	**25.73**
Total debt	**£315m**	**4.56**	**22.55**	**£294m**	**4.50**	**22.69**
Capital Financing Requirement (CFR)	£656m			£705m		
Under-borrowing	**£341m**			**£411m**		

3.4. As of 31 March 2025, Camden Council's total external borrowing stood at £294 million, a reduction of approximately £21 million compared to the previous year's closing balance of £315 million. This reduction is attributed to the scheduled maturity of £20.7 million of existing debt, which was not replaced with new borrowing during the year.

3.5. However, the Council's Capital Financing Requirement (CFR), which represents the underlying need to borrow for past and current capital investment rose to £705 million, up from £656 million the year before. The difference between the CFR and the level of actual external debt represents the Council's under-borrowing position, which increased from £341 million to £411 million over the financial year.

3.6. This growing under-borrowing gap reflects the Council's continued commitment to internal borrowing and is aligned with the medium-term financial strategy. This position is actively monitored with input from the Council's external treasury advisors, MUFG Corporate Markets, to ensure the approach remains appropriate and sustainable.

3.7. During 2024/25, the Council's capital programme saw a revision in the profiled spend of certain projects compared to initial forecasts. This was due to higher than planned levels of project delivery in key projects and consequent re-profiling of previously planned capital works. This resulted in a higher borrowing requirement for the year and this has contributed to the CFR rising to £705 million as at March 2025.

3.8. The Council is awaiting further details on the support for building affordable housing announced in the Spending Review 2025. Officers, in consultation with professional advisors and wider stakeholders, will consider additional funding, including the use of low interest finance where beneficial, and may recommend updates to its Treasury Management Strategy.

<u>Loan Portfolio Composition and Market Position</u>

3.9. The Council's borrowing portfolio consists of a mix of fixed-rate PWLB loans and variable-rate market loans, including LOBOs (Lender's Option, Borrower's Option loans). As of 31 March 2025:

- PWLB loans decreased to **£169 million**, with an average interest rate of **4.57%** and a weighted average maturity of approximately 19.7 years.
- Market loans remained steady at **£125 million** (made up of £124 million LOBO loans and £1m CMI bond), with an average interest rate of **4.43%** and an average life of nearly 26 years.

3.10. The Council's LOBO loans were originally taken out at rates more favourable than those available from the PWLB at the time. While they currently carry slightly higher average rates than the Council's PWLB debt, they are still viewed as part of a valid, diversified borrowing strategy. Importantly, Camden's LOBOs are considered relatively straightforward in structure and do not contain the complex risk characteristics of some of the 'inverse linkers' that have attracted scrutiny at other authorities.

3.11. Given the broader movement in market interest rates, there is now a greater likelihood that LOBO lenders may choose to exercise their option to renegotiate rates during contractual call dates. If such events occur, the Council will have the option to repay these loans at par, avoiding any financial penalty. This potential is actively monitored as part of the Council's ongoing debt management practices.

Innovation in Borrowing: Community Municipal Investment

3.12. The Council continues to demonstrate leadership in adopting innovative funding mechanisms to meet both financial and environmental objectives. In June 2022, Camden launched a Community Municipal Investment (CMI), a form of local climate bond at a value of £1 million with an interest rate of 1.75%.

3.13. This instrument enabled local residents to directly invest in Council projects and is specifically targeted at helping deliver Camden's ambitious goal of achieving net-zero carbon emissions. This marks a significant step towards diversifying funding sources and aligning financial instruments with the Council's climate ambitions.

Conclusion

3.14. In line with the internal borrowing policy, no new borrowing was undertaken during the year. Similarly, no debt rescheduling was carried out in 2024/25 due to unfavourable market conditions. It is currently estimated that early repayment and rescheduling of the Council's £169 million PWLB debt would incur a cost of around £8.1 million, in addition to the principal repayment, making this option financially unviable at present.

3.15. The Council continues to monitor interest rate forecasts and cash flow projections in partnership with treasury advisors to ensure that it can respond appropriately to any shifts in the market or funding needs. The timing of any future borrowing will be guided by the need to balance affordability, risk, and flexibility. Further market commentary is included in paragraphs 3.21 to 3.24.

3.16. The Council's continued emphasis on internal borrowing has delivered tangible financial benefits by avoiding high borrowing costs during a period of elevated interest rates. This strategy has helped the Council maintain flexibility, minimise revenue impacts, and make efficient use of its existing financial resources. Given the ongoing economic uncertainty, particularly around future inflation and interest rate trajectories, the Council's cautious and adaptive stance remains appropriate.

3.17. However, this approach is not without risk. The increasing level of under-borrowing represents a deferred liability, and future market conditions could necessitate a shift in strategy. The Council will therefore continue to monitor all relevant indicators including interest rates, cash balances, capital expenditure forecasts, and reserve levels on a regular basis to ensure its borrowing policy remains sustainable, affordable, and aligned with its broader strategic goals.

Investments

3.18. The council holds invested funds, representing income received in advance of expenditure, plus reserves and balances held which have not been utilised for internal borrowing. 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 investments before seeking the highest rate of return, or yield. The councils 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.

3.19. As noted above the council manages its investment portfolio in accordance with the strategy approved annually by Full Council in line with Government guidance. The strategy prioritises:

1. **Security** of capital
2. **Liquidity** (accessibility of funds)
3. **Yield** (rate of return)

3.20. As such the council adopts a conservative and risk-averse approach compared to many other local authorities, reflecting the scale and complexity of the funds it manages, including balances held on behalf of external bodies such as the North London Waste Authority (NLWA).

Investment Position

Table 2

	31-Mar-24				31-Mar-25			
	Camden	NLWA	Total	Average interest rate (%)	Camden	NLWA	Total	Average interest rate (%)
Money Market Funds	£52m	£18m	**£70m**	5.20	£62m	£40m	**£102m**	4.45
Banks	£254m	£89m	**£343m**	5.58	£94m	£61m	**£155m**	4.71
Government (Treasury Bills & UK Gilts)	-	-	-	-	-	-	-	-
Local Authority Lending	-	-	-	-	£43m	£27m	**£70m**	5.38
Total Investments	**£306m**	**£107m**	**£413m**		**£199m**	**£128m**	**£327m**	

Use of Money Market Funds

3.21. As at 31 March 2025, the Council had investments in three Money Market Funds (MMFs) managed by Aberdeen, JP Morgan, and Goldman Sachs. MMFs are regulated investment vehicles offering high liquidity and capital preservation, with structural safeguards preventing negative yields.

Economic Conditions and Interest Rates

3.22. UK monetary policy shifted in response to inflation trends. The Bank of England Base Rate started the financial year at 4.25%, following several rate hikes in 2022/23 (from 0.75% to 4.25%). The base rate peaked at 5.25% in August 2023 and then declined as inflation eased:

- 5.00% (Aug 2024)
- 4.75% (Nov 2024)
- 4.50% (Feb 2025)
- 4.25% (May 2025)

3.23. The UK economy grew by **0.7%** in Q1 2025. This was driven by:

- Services sector growth: +0.7%
- Production sector growth: +1.1%
- Construction: no change

3.24. On the demand side, GDP growth was supported by increases in capital investment, net trade, and household consumption. Nominal GDP rose by 1.6%, largely due to higher employee compensation. The Council's treasury advisors expect the Bank Rate to:

- Remain at 4.25% through Autumn 2025
- Fall to 4.00% in December 2025
- Decline further to 3.75% in March 2026

3.25. Whilst these changes have impacted the Council's investment income, despite falling rates, the Council achieved a strong average return of 4.97% on investments during 2024/25.

Investment Performance

- Average investment balance: **£517 million**
- Average return: **4.97%**
- Comparable market benchmarks:

3-month SONIA:	4.82%
6-month SONIA:	4.72%
12-month SONIA:	4.54%

3.26. As at 31 March 2025, the total investment portfolio stood at £327 million, of which £128 million was invested on behalf of the NLWA. Returns moderated slightly toward year-end, in line with reductions in base rate.

Loan to Camden Living Housing Association

3.27. On 24 April 2025 a £6.4 million loan was made to Camden Living Housing Association (CLHA), a wholly owned Council subsidiary, to fund the acquisition of 34 affordable homes (social rent tenure) at Central Somers Town. The loan was agreed as part of the Camden Living Implementation Strategy (Cabinet, September 2022), to support housing affordability.

NLWA Energy Recovery Facility (ERF) Funding

3.28. The North London Waste Authority continues to progress its Energy Recovery Facility (ERF) within the North London Heat and Power Project (NLHPP). Initial cost estimates in 2021 projected a range of £800m–£850m. Funding to date includes:

- £280 million (PWLB, Dec 2021)
- £250 million (Feb 2022)
- £200 million (Jan 2023)
- £140 million (July 2024)

3.29. The 2021 borrowing in euros (c. €330 million) was invested in euro-denominated MMFs to hedge currency exposure. As at March 2025, €73 million of this balance remained. Further borrowing is anticipated later in 2025, though not yet confirmed. Investment limits were revised under delegated authority (Director of Finance) in May 2022 to accommodate the scale of NLWA's cash balances.

3.30. As noted in table 2 above, as at 31 March 2025 the council held total investment balances of £327 million, of which £128 million was invested on behalf of the NLWA. This £128 million balance reflects a combination of NLWA working capital and reserves, plus the borrowing undertaken above less planned capital outlays associated with construction of the North London Heat and Power Project.

Conclusion

3.31. The council maintained a prudent and well-structured treasury management approach throughout 2024/25, ensuring that all investment and borrowing activities aligned with approved strategies and risk parameters. Key outcomes included:

- Full compliance with the Council's borrowing, investment strategy and liquidity requirements
- Investment returns exceeding relevant benchmark rates
- Responsible deployment of borrowing and lending powers (e.g. the loan to Camden Living Housing Association)
- Effective risk management amid a dynamic macroeconomic environment

3.32. The Council remains well positioned to manage its investment portfolio securely and efficiently while contributing to broader strategic objectives such as affordable housing delivery and sustainable infrastructure investment. The investment strategy permits term investments of up to two years with approved financial institutions and local authorities. The strategy also sets specific exposure limits per counterparty to manage risk. During 2024/25, there were no breaches of investment limits or prudential indicators, and no liquidity shortfalls.

3.33. Throughout the year, the Council operated entirely within the governance framework defined by the Prudential Code for Capital Finance in Local Authorities and the CIPFA Treasury Management Code of Practice. All borrowing was conducted within the authorised borrowing limits, and prudential indicators were monitored and adhered to. The Council's debt portfolio remains affordable, structured, and sustainable, with no current requirement to revise its overall funding strategy.

4. What are the key impacts/risks? How will they be addressed?

4.1. Commentary on the key risks and any mitigations are contained throughout this report.

5. Finance Comments of the Executive Director Corporate Services

5.1. The comments of the Executive Director Corporate Services have been incorporated into this report.

6. Legal Comments of the Borough Solicitor

6.1. The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators.

6.2. This report forms part of the monitoring of the treasury function as recommended in the Chartered Institute of Public Finance and Accounting (CIPFA) Treasury Management Code of Practice. It reviews the implementation of the strategy and final outturn position.

7. Environmental Implications

7.1. As part of Camden's broader strategy to explore innovative funding mechanisms that align financial planning with both fiscal sustainability and environmental objectives, the Council launched a Community Municipal Investment (CMI) in June 2022. This instrument, effectively a local climate bond, raised £1 million from residents and businesses, offering an interest rate of 1.75%. The CMI allows local residents to directly invest in Council-led infrastructure and sustainability initiatives, creating a tangible link between community capital and the delivery of net-zero carbon targets. This approach represents a strategic diversification of funding sources, while also embedding community engagement and environmental responsibility into the Council's financial decision-making framework.

8. Appendices

- Appendix A – Compliance Report

REPORT ENDS

Appendix A – Compliance Report

1. All treasury management activities undertaken during 2024/25 complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy.

2. The complete list of prudential indicators reported includes the following:

- Prudential Indicator 1 – The Operational Boundary
  Prudential Indicator 2 – The Authorised Limit for External Debt
  Prudential Indicator 3 – Maturity Structure of Borrowing
  Prudential Indicator 4 – Capital Financing Requirement & Gross Debt
- Prudential Indicator 5 – Upper Limit for Principal Sums Invested for over 364 Days

3. Compliance with the operational boundary, authorised limit for external debt, maturity structure of borrowing and upper limits for sums invested is demonstrated in the schedules below:

DEBT LIMITS

The Operational Boundary

4. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Authorised Limit for External Debt

5. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the Full Council. It reflects the level of external debt which, while not desired, could be afforded in the short-term, but is not sustainable in the longer-term.

	2023/24 Actual £m	2024/25 Actual £m	2024/25 Operational Boundary £m	2024/25 Authorised Limit £m	Complied Yes / No
Debt	315	294	646	746	Yes
Other long term liabilities	43	40	40	40	Yes
	358	**334**	**686**	**786**	

Maturity Structure of Borrowing

6. The Council is exposed to the risk of having to refinance debt at a time in the future when interest rates may be volatile or uncertain. This indicator helps to manage this risk and avoid large concentrations of fixed rate debt maturing at the same time.

	Lower Limit	Upper Limit	2024/25 Position	Complied Yes / No
Under 12 Months	0%	20%	0%	Yes
12 months and within 24 months	0%	20%	4%	Yes
24 months and within 5 years	0%	25%	0%	Yes
5 years and within 10 years	0%	50%	0%	Yes
10 years and within 20 years	0%	50%	31%	Yes
20 years and within 30 years	0%	50%	42%	Yes
30 years and within 40 years	0%	50%	22%	Yes
40 years and within 50 years	0%	50%	0%	Yes

INVESTMENT LIMITS

Upper Limit for Principal Sums Invested for over 364 Days

7. A key risk inherent in investment activity is that the Council may be forced to liquidate an investment before it reaches final maturity, and thus at a time when its value may be dependent on market conditions that are unlikely to be known in advance. In order to mitigate this risk, an upper limit will be set on the total principal sums invested for periods longer than 364 days.

	2023/24 Actual £m	2024/25 Actual £m	2024/25 Upper Limit £m	Complied Yes / No
Upper limit for principal sums invested for over 364 day	-	-	35	Yes