

Treasury Management Monitoring - 2024/25 Outturn

Purpose

As required by the CIPFA 2021 Prudential and Treasury Management Codes, Cabinet are required to receive quarterly updates on the Treasury activities of the Council. This report meets those requirements.

Executive Summary

This report focuses on the treasury debt and investment activity of the Council and therefore excludes capital expenditure, as this is reported separately, and other long-term liabilities as these are instruments for specific capital financing and do not impact on the day-to-day treasury portfolio.

The key balances in the debt and investment portfolios are summarised below with additional detail throughout this report.

	31 Mar 2024	30 Jun 2024	30 Sep 2024	31 Dec 2024	31 Mar 2025
	£m	£m	£m	£m	£m
Debt Portfolio					
General Fund	129.775	116.343	136.799	109.271	122.318
HRA	307.530	307.530	307.530	307.530	319.370
Total	437.305	423.873	444.329	416.801	441.688
Investments	38.815	58.651	63.910	61.181	41.054
Net Debt (Treasury)	398.490	365.222	380.419	355.620	400.634

The Executive Director for Finance and Transformation can confirm that there have been no breaches of the approved treasury and prudential indicators and all deposits have been placed in accordance with the approved counterparty selection criteria.

1. Investment Portfolio

- 1.1. The investment balances at end March 2025 were £41m, a £20m decrease compared to the end of the previous quarter which was in-line with cash flow forecasts.

1.2. A summary of the treasury activity and portfolio by investment type at 31st March is summarised in the tables below:

Investment Portfolio Movements	Cash Manager (Bank) £m	Money Market Funds £m	Fixed Interest £m	Total Invested £m	Portfolio Yield at Qtr End %
31 Mar 2024	0.615	33.200	5.000	38.815	5.29%
Q1 Activity					
Withdrawals/ Maturities	(3.280)	(184.298)	(5.000)		
New Deposits	3.816	203.598	5.000		
30 Jun 2024	1.151	52.500	5.000	58.651	5.21%
Q2 Activity					
Withdrawals/ Maturities	(12.144)	(198.623)	(5.000)		
New Deposits	11.703	204.323	5.000		
30 Sep 2024	0.710	58.200	5.000	63.910	4.99%
Q3 Activity					
Withdrawals/ Maturities	(13.116)	(199.708)	(5.000)		
New Deposits	29.987	185.108	-		
31 Dec 2024	17.581	43.600	-	61.181	4.19%
Q4 Activity					
Withdrawals/ Maturities	(20.871)	(212.700)	-		
New Deposits	3.844	209.600	-		
31 Mar 2025	0.554	40.500	-	41.054	4.52%
Portfolio as at 31 March 2025			Average year to date		
	Investment £m	Yield %	Average Investment £m	Average Yield %	
MMFs	40.500	4.55%	78.578	4.96%	
Cash Mgr	0.554	2.50%	0.882	2.96%	
Fixed Interest (Short [365 days or less])	-	0.00%	2.795	5.18%	
Grand Total	41.054	4.52%	82.255	4.95%	

1.3. During the final quarter of the financial year all investment activity was run through the Money Market Funds to manage cash flows as access to cash was needed at short notice to fund outgoings.

1.4. The amount of cash held within the Cash Manager remained at target levels (£500k balance) during the final quarter following the excess balance at end December due to the Christmas closedown and therefore no treasury activity could be undertaken to clear balances to the Money Market Funds.

1.5. The comparable benchmark (overnight SONIA) averaged 4.90% for the 2024/25 financial year and therefore the performance achieved by the Treasury Services team was above benchmark with returns being 4.95% on average investment balances of £82.255m.

1.6. The majority of the Council's investment portfolio is held in Money Market Funds and these are proactively managed to ensure that sufficient liquid resources are available to service day to day expenditure commitments such as salaries, general creditor payments and housing benefit payments.

1.7. The Bank of England's Monetary Policy Committee (MPC) held the Bank Rate at 5.25% until the August meeting of the committee where the rate was cut to 5.00%. Further cuts to the Bank Rate were made in November to 4.75% and February 2025 to 4.50%.

1.8. These cuts have fed through to returns in the investment markets with yields in Money Market Funds matching the Bank Rate at the end of the financial year.

2. Debt Portfolio

2.1. The Council's debt portfolio is mostly long dated fixed rate loans from PWLB or other markets. A small proportion of the debt portfolio consists of loans from other local authorities which assist with short term debt management and cash flow requirements.

2.2. Another element of the debt portfolio consists of amounts deposited with the Council from the Fire Authority, Sandwell Leisure Trust and Children's Trust. These are at agreed variable rate terms in line with either actual Council treasury investment performance or Bank Rate as published by Bank of England. These amounts are held as liquid as they are repayable on demand as and when required.

2.3. The Council's loan portfolio has been split between the General Fund and Housing Revenue Account since 2012 when HRA Self Financing was introduced. The following table summarises the movements in the debt portfolios in the financial year:

	General Fund			HRA		Grand Total £m
	Fixed Rate £m	Variable Rate £m	Total GF £m	Fixed Rate £m	Total HRA £m	
31 Mar 24	87.954	41.821	129.775	307.530	307.530	437.305
Q1 Activity						
Fixed Rate Maturities	(15.297)			-		
New Fixed Rate Loans	-			-		
Net Movement in Variable Rate Loans		1.865				
30 Jun 24	72.657	43.686	116.343	307.530	307.530	423.873
Q2 Activity						
Fixed Rate Maturities	(8.080)			-		
New Fixed Rate Loans	-			-		
Net Movement in Variable Rate Loans		28.536				
30 Sep 24	64.577	72.222	136.799	307.530	307.530	444.329
Q3 Activity						
Fixed Rate Maturities	(5.297)			-		
New Fixed Rate Loans	-			-		
Net Movement in Variable Rate Loans		(22.231)				
31 Dec 24	59.280	49.991	109.271	307.530	307.530	416.801
Q4 Activity						
Fixed Rate Maturities	(7.420)			(18.160)		
New Fixed Rate Loans	35.000			30.000		
Net Movement in Variable Rate Loans		(14.533)				
31 Mar 25	86.860	35.458	122.318	319.370	319.370	441.688

- Activity in the final quarter included:
 - Loan Maturities:
 - £5m temporary loan (11 months at 6.5%),
 - £7.5m PWLB loan (13 years at 2.87%)
 - £12m LOBO loan (20 years at 4.00%) – This loan had 5 yearly options where the lender could amend the interest rate. The revised rate offered of 5.89% was deemed excessive and therefore the Council elected to repay the debt without penalty.
 - Other amounts relate to scheduled repayments of interest free debt and amounts payable to other local authority transferred debt.
 - The reduction of variable rate debt of £14.5m is due to movements in the cash holdings from the Fire Authority, Leisure Trust and Children's Trust (per paragraph 2.2) and was in line with cash-flow expectations.
 - New loans were also taken in accordance with the strategy to manage cash flows and funding of the capital programme. Following advice from our treasury advisors new borrowings were kept for short periods due to the interest rates remaining high for longer dated debt.
 - £35m across 5 loans from other local authorities for periods between 6 months and 2 years (interest rates range from 5% to 5.35%)
 - £30m new HRA loans from the PWLB (3 x £10million) for periods 18 months to 3 years (interest rates ranging from 4.49% to 4.54%).

2.4. It should be noted that the HRA has access to an additional discount from the PWLB at 0.60% below published rates, compared to 0.20% discount for General Fund Borrowings.

2.5. The effect on the average interest rate on the fixed interest debt portfolio from the movements highlighted above is shown in the following table:

	Previous Financial Year End		Previous Quarter End			
	31 Mar 24		31 Dec 24		31 Mar 25	
	Principal £m	Avg Rate	Principal £m	Avg Rate	Principal £m	Avg Rate
Fixed Rate Debt						
General Fund	87.954	4.79%	59.280	4.79%	86.860	4.88%
HRA	307.530	4.84%	307.530	4.84%	319.370	4.89%
Total	395.484	4.83%	366.810	4.83%	406.230	4.89%

2.6. The current strategy will remain to only take short-dated debt (up to 5 years) due to market conditions and to refinance for longer periods at the appropriate time to prevent longer term cost burden on the council's revenue budgets.

3. Prudential Borrowing Indicators

3.1. The key prudential indicators in relation to the Council's borrowing are detailed below:

	£m
Authorised Limit (Debt)	931.842
Operational Boundary (Debt)	594.282
Maximum Treasury Debt to 31 Mar 25	459.385
Average Treasury Debt to 31 Mar 25	430.884

Note: The authorised limit and operational boundary shown above are for debt levels only and exclude other long term liabilities (as detailed in the Treasury Management Strategy Report) as these are PFI/ Finance Lease arrangements.

3.2. As can be seen from the table above, treasury debt levels are within the Authorised Limit (the Council's statutory limit of debt holdings) and no breaches have occurred.