

Agenda Item

REPORT TO: Executive Board

DATE: 11 September 2025

REPORTING OFFICER: Finance Director

PORTFOLIO: Corporate Services

TITLE: Treasury Management Annual Report 2024-25

WARDS: Borough-wide

1.0 PURPOSE OF REPORT

- 1.1 The purpose of this report is to provide an update regarding activities undertaken on the money market as required by the Treasury Management Policy.

2.0 RECOMMENDATION: That

- 1) the report be noted.

3.0 SUPPORTING INFORMATION

Economic Outlook

- 3.1 The following analysis of the 2024/25 economic situation has been provided by MUFG Asset Services, the Council's treasury management advisors.
- 3.2 UK inflation has proved somewhat stubborn throughout 2024/25. Having started the financial year at 2.3% in April, 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 by 2.8% in February, but there is a strong likelihood that figure will increase to at least 3.5% by the Autumn of 2025.
- 3.3 Against that backdrop, and the continued lack of progress in ending the Russian invasion of Ukraine, as well as the potentially negative implications for global growth as a consequence of the implementation of US tariff policies by US President Trump in April 2025, Bank Rate reductions have been limited. Bank Rate remained at 4.5% at the end of the year, despite the Office for Budget Responsibility reducing its 2025 GDP forecast for the UK economy to only 1% (previously 2% in October).
- 3.4 Borrowing has becoming increasingly expensive in 2024/25. Gilt yields rose significantly in the wake of the Chancellor's Autumn Statement, and the

loosening of fiscal policy, and have remained elevated ever since, as dampened growth expectations and the minimal budget contingency (<£10bn) have stoked market fears that increased levels of borrowing will need to be funded during 2025.

- 3.5 From a fiscal perspective, the increase in businesses' national insurance and national minimum wage costs from April 2025 is likely to prove a headwind, although in the near-term the Government's efforts to provide 300,000 new homes in each year of the current Parliament is likely to ensure building industry employees are well remunerated, as will the clamp-down on immigration and the generally high levels of sickness amongst the British workforce. Currently wages continue to increase at a rate close to 6% year on year. The MPC would prefer a more sustainable level of around 3.5%.
- 3.6 As for equity markets, the FTSE 100 has recently fallen back to 7,700 having hit an all-time intra-day high 8,908 as recently as March. The £ has also endured a topsy-turvy time, hitting a peak of \$1.34 before dropping to \$1.22.

Interest Rate Forecast

- 3.7 The following forecast has been provided by MUFG Asset Services for the following three years.

MUFG Corporate Markets Interest Rate View 11.08.25													
	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28
BANK RATE	4.00	4.00	3.75	3.75	3.50	3.50	3.50	3.50	3.25	3.25	3.25	3.25	3.25
3 month ave earnings	4.00	4.00	3.80	3.80	3.50	3.50	3.50	3.50	3.30	3.30	3.30	3.30	3.30
6 month ave earnings	4.00	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.30	3.30	3.40	3.40	3.40
12 month ave earnings	4.00	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.30	3.40	3.50	3.60	3.60
5 yr PWLB	4.80	4.70	4.50	4.40	4.30	4.30	4.30	4.20	4.20	4.20	4.20	4.10	4.10
10 yr PWLB	5.30	5.20	5.00	4.90	4.80	4.80	4.80	4.70	4.70	4.70	4.70	4.60	4.60
25 yr PWLB	6.10	5.90	5.70	5.70	5.50	5.50	5.50	5.40	5.40	5.30	5.30	5.30	5.20
50 yr PWLB	5.80	5.60	5.40	5.40	5.30	5.30	5.30	5.20	5.20	5.10	5.10	5.00	5.00

During the 2024/25 financial year, the base rate has dropped 4 times, Starting the year at 5.25% the rate dropped 0.25% in August 24, November 24, February 25 and finally dropping to 4.5% in February 2025. The rate has dropped two more times since the end of the financial year, and is currently at 4.00% in August 25.

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3.8 The borrowing rates from September 2024 to March 2025 are shown below:

Short Term Borrowing Rates

	Sep	Oct	Nov	Dec	Jan	Feb	Mar
	%	%	%	%	%	%	%
Base Rate	5.00	5.00	4.75	4.75	4.75	4.50	4.50
Call Money (Market)	5.00	4.90	4.65	4.95	4.65	4.40	4.35
1 Month (Market)	4.95	4.75	4.70	4.80	4.45	4.45	4.45
3 Month (Market)	4.95	4.85	4.80	4.85	4.50	4.45	4.40

Longer Term Borrowing Rates

	Sep	Oct	Nov	Dec	Jan	Feb	Mar
	%	%	%	%	%	%	%
1 Year (PWLB)	4.95	5.23	5.10	5.13	4.94	4.82	4.82
10 Year (PWLB)	4.79	5.20	5.03	5.40	5.35	5.30	5.42
25 Year (PWLB)	5.33	5.62	5.49	6.89	6.86	5.81	5.98

3.9 Market rates are based on rates provided by Reuters and PWLB rates are for new loans based on principal repayable at maturity. The rates are shown for the end of each month.

Borrowing and Investments

Turnover During the Period

	No of deals	Turnover £m
Short Term Borrowing	10	44
Short Term Investments	6	45

Position at Month End

	Sep £m	Oct £m	Nov £m	Dec £m	Jan £m	Feb £m	Mar £m
Total Borrowing	197	197	205	209	214	219	232
Total Investments	(112)	(67)	(62)	(52)	(52)	(47)	(52)
Call Account Balance	(8)	(9)	(13)	(9)	(16)	(15)	(11)

If should be noted that during October 2025, the Council repaid £45m of grant funding to DfT replating to surplus funds from the Mersey Gateway Bridge, hence the Council's investments dropped significantly from September to October 2024.

Investment Benchmarking

Benchmark	Benchmark Return %	Performance Oct - Mar %	Investment Interest Earned £000
1 day	4.70	4.42	383
1 month	4.65	4.97	30
3 month	4.69	5.32	1,190
6 month	4.61	5.31	116
9 month	4.60	5.15	208
12 month	4.59	5.60	301
Over 12 months	-	4.53	355
Property Fund	-	4.24	212
Total			2,795

- 3.10 The table above shows the Council exceeded the majority of benchmarks during the last six months of 2024/25. The one day is performance is under benchmark due to the rates in the Council's call accounts paying lower than benchmark, but especially for three months and over it can be seen the Council have over achieved the benchmark rates. This is due to the Council holding some longer duration investments, where rates remain high against falling rates, and the Council were also able to take advantage of higher investment rates in the local authority market towards the end of the year.

Budget Monitoring

- 3.11 Overall, Treasury Management costs have come in under budget by £0.327m in 2024/25. There was an underspend of £1.202m on investment income, caused by higher investment balances at the start of the year, and higher than predicted investment rates, but due to the Council having reduced cash balances during the year and needing to borrow, this was counteracted by a £0.875m overspend on borrowing costs.

The council's cash levels were impacted by the Council's overspending position, and a large number of capital costs being paid in year (such as the Leisure Centre). This resulted in the Council borrowing short term on the local authority market, before borrowing £50m from the Public Works Loans Board when rates fell in February and March 2025.

Net Interest at 31st March 2025			
	Annual Budget £000	Actual £000	Variance £000
Investments	(3,622)	(4,824)	1,202
Borrowings	1,342	2,217	(875)
Total	(2,280)	(2,607)	327

New Long-Term Borrowing

- 3.12 As discussed in 3.11, the Council borrowed £50m from the PWLB during February and March 2025. Although classed as long term (over one year), this borrowing was only taken for around 14 months to April 2025 and May 2026. This was due to long-term PWLB rates still being very high, and it is predicted that PWLB rates would fall significantly between Feb 25 and May 26.

Policy Guidelines

- 3.13 The Treasury Management Strategy Statement (TMSS) for 2024/25, which includes the Annual Investment Strategy, was approved by the Council on 05 March 2025. It sets out the Council's investment priorities as being:
- Security of capital;
 - Liquidity; and
 - Yield
- 3.14 The Council will also aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity. In the current economic climate and the heightened credit concerns it is considered appropriate to keep the majority of investments short term and to ensure all investments are in line with credit rating methodology.

Treasury Management Indicators

- 3.15 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators were set out in the Treasury Management Strategy Statement and are reviewed in Appendix 1.
- 3.16 It should be noted that during 2024/25 financial year the Operational Boundary was breached. As can be seen on Appendix 1, at 31st March 2025 the Council's External Debt was £620.7m, and the Operational Boundary, set in February 2024 as part of the Treasury Management Strategy, was £558.2m.
- 3.17 The Operational Boundary is based on the expectations of the maximum debt level the Council will reach according to probable events and acts as a self-imposed limit to warn officers that borrowing levels are higher than expected. The boundary has been exceeded by £62.4m. £10m was due to the Council's

overspend in year, but the remaining £52.4m relates to a technical accounting issue as detailed below.

IFRS16

- 3.17 As part of the implementation of the accountancy standard IFRS16, the financial liability relating to PFI schemes needed to be restated in the 2024/25 accounts. The new valuation of liability is calculated using the indexed unitary charge payments made, whereas previously the liability was calculated using the unitary charge payments made when the PFI schemes were adopted. The Council hold two PFI Schemes, for The Grange School, whose liability was increased by £4.7m and for the Mersey Gateway Bridge, whose liability increased by £46.1m.

Debt Rescheduling

- 3.17 No debt rescheduling was undertaken during the quarter.

4.0 POLICY IMPLICATIONS

- 4.1 None.

5.0 FINANCIAL IMPLICATIONS

- 5.1 The financial implications are as set out in the report.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

- 6.1 **Improving Health, Promoting Wellbeing and Supporting Greater Independence**

- 6.2 **Building a Strong, Sustainable Local Economy**

- 6.3 **Supporting Children, Young People and Families**

- 6.4 **Tackling Inequality and Helping Those Who Are Most In Need**

- 6.5 **Working Towards a Greener Future**

- 6.6 **Valuing and Appreciating Halton and Our Community**

There are no direct implications on the above priorities, however, the revenue budget and capital programme support the delivery and achievement of all the Council's priorities.

7.0 RISK ANALYSIS

- 7.1 The main risks with Treasury Management are security of investment and volatility of return. To combat this, the Council operates within a clearly defined

Treasury Management Policy and annual borrowing and investment strategy, which sets out the control framework

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 None.

9.0 CLIMATE CHANGE IMPLICATIONS

9.1 None

10.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

10.1 There are no background papers under the meaning of the Act.

Treasury and Prudential Indicators – 2024/25

	2023/24	2024/25	
Prudential Indicators	Full Year Actual £000	Original Estimate £000	Full Year Actual £000
Capital Expenditure	44,202	53,671	56,518
Net Financing Need for the Year <i>(Borrowing Requirement)</i>	21,014	32,512	24,040
Increase / (Decrease) in CFR <i>(Capital Financing Requirement)</i>	1,861	20,202	60,762
Ratio of Financing Costs to Net Revenue Stream <i>(Proportion of cost of borrowing to Council's net revenue)</i>	3.6%	3.4%	3.5%
External Debt <i>(Borrowing plus PFI and lease liabilities)</i>	552,408	538,274	620,700
Operational Boundary <i>(Limit of which external debt is not expected to exceed)</i>	555,355	558,274	558,274
Authorised Limit <i>(Limit beyond which external debt is prohibited)</i>	634,395	647,532	647,532

	Investment Limit £000	31/03/2024 Actual £000	31/03/2025 Actual £000
Maximum Principal invested > 365 days			
Principal Sums Invested over 365 days	40,000	20,000	15,000