



Audit & Governance Committee

Report Subject	Treasury Management Monitoring Outturn 2024/25 and update for Quarter 1 2025/26
Meeting date	24 July 2025
Status	Public
Executive summary	<p>This report sets out the monitoring of the Council's Treasury Management function for the period 1 April 2024 to 31 March 2025.</p> <p>A deficit of £2.1m was the final position as the Council continues to borrow to fund the accumulating deficit on its Dedicated Schools Grant (DSG). Borrowing is also at higher-than-expected interest rates due to volatility in current debt costs.</p> <p>The report also sets out the Quarter One performance for 2024/25 which forecasts an underspend of £0.3m due to the Council's ability to borrow in the local authority market at lower than budgeted interest rate.</p>
Recommendations	<p>It is recommended that Audit & Governance Committee:</p> <ol style="list-style-type: none">1) note the reported activity of the Treasury Management function for 2024/252) note the reported activity of the Treasury Management function for April to June 2025
Reasons for recommendations	<p>It is a requirement under the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice that regular monitoring of the Treasury Management function is reported to Members.</p> <p>Council is required to approve any changes to the prudential indicators based on a recommendation from the Audit & Governance Committee.</p>
Portfolio Holder	Councillor Mike Cox, Portfolio Holder for Finance
Corporate Director	Graham Farrant, Chief Executive
Service Director	Adam Richens - Chief Financial Officer
Classification	For information and recommendation
Report author	<p>Russell Oakley, Finance Manager - Technical ✉ russell.oakley@bcpcouncil.gov.uk</p> <p>Matthew Filmer, Assistant Chief Financial Officer ✉ matthew.filmer@bcpcouncil.gov.uk</p>

Background Detail

1. Treasury Management is defined as the management of the Council's cash flows, its borrowings and investments, the management of the associated risks and the pursuit of the optimum performance or return consistent with those risks.
2. The Treasury Management function operates in accordance with The Chartered Institute of Public Finance and Accountancy (CIPFA) 'Treasury Management in the Public Services' Code of Practice (2021).
3. The Treasury Management function manages the Council's cash flow by exercising effective cash management and ensuring that the bank balance is as close to nil as possible. The objective is to ensure that bank charges are kept to a minimum whilst maximising interest earned. A sound understanding of the Council's business and cash flow cycles enables funds to be managed efficiently.
4. This report considers the treasury management activities in relation to the Treasury Management Strategy. Also included is a summary of the current economic climate, an overview of the estimated performance of the treasury function, an update on the borrowing strategy, investments and compliance with prudential indicators.

Economic Background (Link Treasury Services)

5. On 8th May, the Bank of England's Monetary Policy Committee (MPC) voted 5-4 to reduce the Bank Rate 0.25% to 4.25%. A further vote on 19 June saw the committee hold this rate.
6. CPI inflation fell over the last quarter of 2024/25 from 3.0% in January to 2.6% in March. Increases in business national insurance and national minimum wage in April 2025 coincided with what is described as an Easter blip as core CPI increased to 3.8% before falling again to 3.5% in May.
7. A weakening job market is set to loosen wage pressures and assist the continued fall in inflation which is expected to meet the Bank of England 2.0% target by the start of 2027. Global events do provide a near term risk to this prediction if the result is an increase to oil, gas and food prices.
8. The 10-year gilt yield fluctuated between 4.4% and 4.8% before ending the quarter at 4.5%, the market is sensitive to government borrowing and has risen since the spring statement. PwLB borrowing rates remain influenced by this market with long term rates falling slower than the Bank of England Base rate.
9. The Bank rates are not expected to be cut in August but likely in November provided inflation continues to fall. The Monetary Policy Committee continue to suggest gradual and careful rate cuts which are expected to reach 3.5% during 2026.

Interest Rates

10. Table 1 below, produced by the authority's treasury consultants Link Asset Services, sets out their current projection of interest rates over the medium term.

Table 1: Interest rate projection (Link Treasury Services)

Interest Rate Forecasts								
Bank Rate	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27
MUFG CM	4.25%	4.00%	3.75%	3.75%	3.75%	3.50%	3.50%	3.50%
Cap Econ	4.00%	3.75%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
5Y PWLB RATE								
MUFG CM	4.80%	4.70%	4.60%	4.50%	4.40%	4.40%	4.30%	4.20%
Cap Econ	4.80%	4.70%	4.60%	4.50%	4.50%	4.40%	4.40%	4.40%
10Y PWLB RATE								
MUFG CM	5.10%	5.00%	4.90%	4.80%	4.70%	4.70%	4.60%	4.50%
Cap Econ	5.20%	5.10%	5.00%	5.00%	4.90%	4.80%	4.80%	4.80%
25Y PWLB RATE								
MUFG CM	5.60%	5.50%	5.40%	5.30%	5.20%	5.10%	5.00%	5.00%
Cap Econ	5.70%	5.40%	5.30%	5.20%	5.10%	5.00%	5.00%	5.00%
50Y PWLB RATE								
MUFG CM	5.30%	5.20%	5.10%	5.00%	4.90%	4.80%	4.70%	4.70%
Cap Econ	5.50%	5.20%	5.20%	5.10%	5.00%	4.90%	4.90%	4.90%

Treasury Management Performance 2024/25

11. Table 2 below shows the final overall treasury management position for 2024/25 which overspent against the budget by £2.1m. Investment income was £0.7m over budget due to reducing cash balances available for investments.
12. The interest paid on borrowing was £1.4m over budget. This is due to higher than forecast interest rates being paid for short-term borrowing. This overspend was reduced, in part, by the restructuring of the long-term debt agreement for our Phenix Life loan. No long-term borrowing was taken out in 2024/25.

Table 2: Treasury Management Performance 2024/25

	Actual 2024/25 £'000	Budget 2024/25 £'000	Variance 2024/25 £'000
<u>Expenditure</u>			
Interest Paid on Long Term Borrowings	3,005	3,026	(21)
Interest Paid on Short Term Borrowings	2,891	1,475	1,416
<u>Income</u>			
Investment Interest Received	(2,175)	(2,500)	325
Deductions from general fund	980	645	335
Total	4,701	2,646	2,055

Borrowing

13. The Council has adopted a two-pool approach to debt management, separating the debts of the General Fund (Pool 1) and the Housing Revenue Account (HRA) (Pool 2). The HRA pool is a combination of both the Poole and Bournemouth Neighbourhood HRA accounts.
14. Table 3 and 4 below shows the closing level of borrowing for the Council's two loans pool.

Table 3: Council Short Term Borrowings as at 31 March 2025

Initial Loan Value	Interest Rate	Balance as at 31 March 2025 £'000	Maturity Date	General Fund Pool £'000	HRA Pool £'000	Source
Short Term Borrowing						
1,500	4.95%	1,500	03-Apr-2025	1,500	-	North Warwickshire Borough Council
2,000	5.40%	2,000	04-Apr-2025	2,000	-	Shropshire & Wrekin Fire and Rescue
5,000	5.45%	5,000	04-Apr-2025	5,000	-	Dorset & Wiltshire Fire and Rescue
20,000	5.00%	20,000	04-Apr-2025	20,000	-	London Treasury Liquidity Fund LP
10,000	4.90%	10,000	07-Apr-2025	10,000	-	PCC for West Midlands
2,000	4.95%	2,000	07-Apr-2025	2,000	-	Humberside Fire Authority
6,000	4.85%	6,000	14-Apr-2025	6,000	-	London Borough of Redbridge
2,000	5.65%	2,000	17-Apr-2025	2,000	-	Cheshire Fire Authority
2,000	5.65%	2,000	22-Apr-2025	2,000	-	Hyndburn Borough Council
5,000	5.70%	5,000	22-Apr-2025	5,000	-	Lincolnshire County Council
10,000	4.95%	10,000	24-Apr-2025	10,000	-	Liverpool City Region Combined Authority
2,000	5.80%	2,000	30-Apr-2025	2,000	-	London Borough of Islington
2,000	4.95%	2,000	30-Apr-2025	2,000	-	PCC for Avon and Somerset
3,000	5.80%	3,000	30-Apr-2025	3,000	-	Furness Building Society
5,000	5.00%	5,000	30-Apr-2025	5,000	-	East Riding Yorkshire Council
5,000	5.50%	5,000	30-Apr-2025	5,000	-	West Sussex County Council
4,000	4.95%	4,000	01-May-2025	4,000	-	South Derbyshire District Council
10,000	5.80%	10,000	07-May-2025	10,000	-	PCC for Sussex
2,000	4.80%	2,000	12-May-2025	2,000	-	North Hertfordshire District Council
10,000	5.80%	10,000	19-May-2025	10,000	-	London Borough of Croydon
10,000	4.95%	10,000	30-May-2025	10,000	-	West of England Combined Authority
3,000	4.95%	3,000	30-May-2025	3,000	-	PCC for Avon and Somerset
121,500		121,500		121,500	-	

Table 4: Council Long Term Borrowings as at 31 March 2025

Initial Loan Value £'000	Interest Rate	Balance as at 31 March 2025 £'000	Maturity Date	General Fund Pool £'000	HRA Pool £'000	Source
Long Term Borrowing						
5,000	4.45%	5,000	24-Sep-2030	-	5,000	PWLB
5,000	4.45%	5,000	24-Nov-2031	-	5,000	PWLB
5,000	4.75%	5,000	24-Sep-2032	-	5,000	PWLB
5,000	4.45%	5,000	24-Nov-2032	-	5,000	PWLB
5,000	4.75%	5,000	24-Sep-2033	-	5,000	PWLB
5,000	4.60%	5,000	23-Feb-2035	-	5,000	PWLB
5,000	4.72%	5,000	22-Aug-2036	-	5,000	PWLB
5,000	2.80%	5,000	20-Jun-2041	5,000	-	PWLB
5,000	2.80%	5,000	20-Jun-2041	5,000	-	PWLB
10,000	1.83%	10,000	22-Jul-2046	10,000	-	PWLB
2,500	6.75%	2,500	06-Mar-2056	-	2,500	PWLB
1,500	6.75%	1,500	13-Mar-2057	-	1,500	PWLB
1,500	5.88%	1,500	07-Mar-2058	-	1,500	PWLB
42,488	3.48%	42,488	28-Mar-2062	-	42,488	PWLB
43,908	3.48%	43,908	28-Mar-2062	-	43,908	PWLB
17,000	1.54%	17,000	17-May-2068	17,000	-	PWLB
12,500	1.56%	12,500	16-Aug-2068	12,500	-	PWLB
12,500	1.55%	12,500	16-Aug-2069	12,500	-	PWLB
188,896		188,896		62,000	126,896	
22,625	2.26% + RPI Annually	13,911	17-Oct-2039	13,911	-	Prudential Assurance Co
49,000	2.83%	46,652	24-May-2068	46,652	-	Phoenix Life Limited
71,625		60,563		60,563	-	
Total Short and Long Term Borrowing						
382,021		370,959		244,063	126,896	

15. Table 5 below shows the closing level of the Council Capital Financing Requirement and how that is made up of actual external borrowing and what the level of under borrowing.

Table 5: Council Capital Financing Requirement 31 March 2025

	General Fund £000	HRA £000	Total £000
External Borrowing	244,063	126,896	370,959
Internal Borrowing (Under borrowing)	161,419	10,886	172,305
Capital Finance Requirement	405,482	137,782	543,264

Investments

16. During the year, cash surpluses are invested by the Treasury Management team through direct dealing or money brokers with approved counterparties. The Council's counterparty list i.e. the list of organisations that it has been agreed that

the Council can invest with has become increasingly restricted in recent years due to the economic climate and the criteria used to select appropriate organisations.

17. A full list of investments held by the authority as of 31 March 2025 is shown in Table 6 below.

Table 6: Investment Summary as at 31 March 2025

Investments	Maturity Date	Principal Amount £	Interest %
<u>Fixed Term Deposits</u>			
DMADF	01-Apr-2025	1,900,000	4.45%
Sub Total		1,900,000	
<u>Call Account</u>			
LGIM Sterling Liquidity Fund	instant access	650,000	4.57%
Total		2,550,000	

18. The Treasury Management function achieved average returns of 5.07% for the period 1 April 2024 to 31 March 2025 for its combined investment compared to the SONIA average rate of 4.85%.

Treasury Management Performance 2025/26

19. Table 7 below shows the overall treasury management position for 2025/26. The current forecast is an underspend of £300k on interest payable budgets. This is due to greater availability of funds within the local authority market than expected, this market provides lower rates compared to short term PWLB borrowing used to forecast borrowing costs.

Table 7: Treasury Management performance 2025/26

	Forecast 2025/26 £'000	Budget 2025/26 £'000	Variance 2025/26 £'000
<u>Expenditure</u>			
Interest Paid on Long Term Borrowings	2,915	2,915	0
Interest Paid on Short Term Borrowings	6,067	6,367	(300)
<u>Income</u>			
Investment Interest Received	(1,105)	(1,105)	0
Deductions from general fund	450	450	0
Total	8,327	8,627	(300)

Borrowing

20. Table 8 and 9 below shows the closing level of borrowing for the Council's two loans pool.

Table 8: Council Short Term Borrowings as of 30 June 2025

Initial Loan Value £'000	Interest Rate	Balance as at 30 June 2025 £'000	Maturity Date	General Fund Pool £'000	HRA Pool £'000	Source
Short Term Borrowing						
2,000	4.25%	2,000	04-Jul-2025	2,000	-	Newport City Council
10,000	4.65%	10,000	08-Jul-2025	10,000	-	Devon County Council Pension Fund
10,000	4.65%	10,000	11-Jul-2025	10,000	-	Lincolnshire County Council
5,000	4.25%	5,000	21-Jul-2025	5,000	-	Neath Port Talbot County Council
10,000	4.20%	10,000	21-Jul-2025	10,000	-	Lancashire County Council Pension Fund
5,000	4.65%	5,000	22-Jul-2025	5,000	-	Lincolnshire County Council
5,000	4.65%	5,000	31-Jul-2025	5,000	-	East Riding Yorkshire Council
5,000	4.25%	5,000	13-Aug-2025	5,000	-	PCC for South Wales
6,000	4.65%	6,000	14-Aug-2025	6,000	-	London Borough of Redbridge
5,000	4.24%	5,000	15-Aug-2025	5,000	-	Liverpool City Region Combined Authority
20,000	4.65%	20,000	20-Aug-2025	20,000	-	London Treasury Liquidity Fund LP
10,000	4.20%	10,000	28-Aug-2025	10,000	-	London Borough of Croydon
5,000	4.25%	5,000	29-Aug-2025	5,000	-	Royal Borough of Windsor & Maidenhead
5,000	4.25%	5,000	15-Sep-2025	5,000	-	East Renfrewshire Council
5,000	4.15%	5,000	29-Sep-2025	5,000	-	Liverpool City Region Combined Authority
108,000		108,000		108,000	-	

Table 9: Council Long Term Borrowings as at 30 June 2025

Initial Loan Value £'000	Interest Rate	Balance as at 30 June 2025 £'000	Maturity Date	General Fund Pool £'000	HRA Pool £'000	Source
Long Term Borrowing						
5,000	4.45%	5,000	24-Sep-2030	-	5,000	PWLB
5,000	4.45%	5,000	24-Nov-2031	-	5,000	PWLB
5,000	4.75%	5,000	24-Sep-2032	-	5,000	PWLB
5,000	4.45%	5,000	24-Nov-2032	-	5,000	PWLB
5,000	4.75%	5,000	24-Sep-2033	-	5,000	PWLB
5,000	4.60%	5,000	23-Feb-2035	-	5,000	PWLB
5,000	4.72%	5,000	22-Aug-2036	-	5,000	PWLB
5,000	2.80%	5,000	20-Jun-2041	5,000	-	PWLB
5,000	2.80%	5,000	20-Jun-2041	5,000	-	PWLB
10,000	1.83%	10,000	22-Jul-2046	10,000	-	PWLB
2,500	6.75%	2,500	06-Mar-2056	-	2,500	PWLB
1,500	6.75%	1,500	13-Mar-2057	-	1,500	PWLB
1,500	5.88%	1,500	07-Mar-2058	-	1,500	PWLB
42,488	3.48%	42,488	28-Mar-2062	-	42,488	PWLB
43,908	3.48%	43,908	28-Mar-2062	-	43,908	PWLB
17,000	1.54%	17,000	17-May-2068	17,000	-	PWLB
12,500	1.56%	12,500	16-Aug-2068	12,500	-	PWLB
12,500	1.55%	12,500	16-Aug-2069	12,500	-	PWLB
188,896		188,896		62,000	126,896	
22,625	2.26% + RPI Annually	13,705	17-Oct-2039	13,705	-	Prudential Assurance Co
49,000	2.83%	45,875	24-May-2068	45,875	-	Phoenix Life Limited
71,625		59,580		59,580	-	
Total Short and Long Term Borrowing						
368,521		356,476		229,580	126,896	

Investments

21. A full list of investments held by the authority as of 30 June 2025 is shown in Table 10 below.

Table 10: Investment Summary as of 30 June 2025

Investments	Maturity Date	Principal Amount £	Interest %
<u>Fixed Term Deposits</u>			
DMADF	01-Jul-2025	1,300,000	4.20%
Sub Total		1,300,000	
<u>Call Account</u>			
Total		1,300,000	

22. The Treasury Management function has achieved returns of 4.40% for the period 1 April 2025 to 30 June 2025 for its combined investment, bettering the SONIA overnight rate of 4.35%.

Prudential Indicators and Member Training

23. The Treasury Management Prudential Code Indicators were set as part of the 2024/25 & 2025/26 Treasury Management Strategy. It can be confirmed that all indicators have been complied with during all of 2024/25 and the period 1 April 2025 to 31 June 2025.
24. Reporting to members is to be done quarterly. Specifically, the Chief Finance Officer (CFO) is required to establish procedures to monitor and report performance against all forward-looking prudential indicators at least quarterly. The CFO is expected to establish a measurement and reporting process that highlights significant actual or forecast deviations from the approved indicators. However, monitoring of prudential indicators, including forecast debt and investments, is not required to be taken to Full Council and should be reported as part of the authority's integrated revenue, capital and balance sheet monitoring.
25. In conjunction with the chair of Audit & Governance Committee we will look to carry out a training session to all members.

Compliance with Policy

26. The Treasury Management activities of the Council are regularly audited both internally and externally to ensure compliance with the Council's Financial Regulations. The recent internal audit in March 2025 rated the Treasury

Management function as “Reasonable” assurance which means that there is a sound control framework which is designed to achieve the service objectives, with key controls being consistently applied.

27. The Treasury Management Strategy requires that surplus funds are placed with major financial institutions but that no more than 25% (AA- Rated Institutions) or 20% (A to A- Rated) of the investment holding is placed with any one major financial institution at the time the investment takes place. It can be confirmed that the Treasury Management Strategy has been complied with during all of 2024/25 and the period 1 April 2025 to 30 June 2025.

Summary of Financial/Resource Implications

28. Financial implications are as outlined within the report.

Summary of Legal Implications

29. There are no known legal implications.

Summary of Equalities and Diversity Impact

30. The Treasury Management activity does not directly impact on any of the services provided by the Council or how those services are structured. The success of the function will have an impact on the extent to which sufficient financial resources are available to fund services to all members of the community.

Summary of Risk Assessment

31. The Treasury Management Policy seeks to consider and minimise various risks encountered when investing surplus cash through the money markets. The aim in accordance with the CIPFA Code of Practice for Treasury Management is to place a greater emphasis on the security and liquidity of funds rather than the return gained on investments. The main perceived risks associated with treasury management are discussed below.

Credit Risks

32. Risk that a counterparty will default, fully or partially, on an investment placed with them. There were no counterparty defaults during the year to date, the Council’s position is that it will invest the majority of its cash in the main UK Banks which are considered to be relatively risk adverse and have been heavily protected by the UK Government over the last few years. The strategy is being constantly monitored and may change if UK Bank Long Term ratings fall below acceptable levels.

Liquidity Risks

33. Aims to ensure that the Council has sufficient cash available when it is needed. This was actively managed throughout the year and there are no liquidity issues to report.

Re-financing Risks

34. Managing the exposure to replacing financial instruments (borrowings) as and when they mature. The Council continues to monitor premiums and discounts in

relation to redeeming debt early. Only if interest rates result in a discount that will benefit the Council would early redemption be considered.

Interest Rate Risks

35. Exposure to interest rate movements on its borrowings and investments. The Council is protected from rate movements once a loan or investment is agreed as the vast majority of transactions are secured at a fixed rate.

Price Risk

36. Relates to changes in the value of an investment due to variation in price. The Council does not invest in Gilts or any other investments that would lead to a reduction in the principal value repaid on maturity.

Background papers

37. Treasury Management report to Full Council on 11th February 2025
<https://democracy.bcpccouncil.gov.uk/documents/s56116/Treasury%20Management%20Monitoring%20report%20for%20the%20period%20April%20to%20December%202024%20and%20Treasury%20Management%20.pdf>