

**Committee Name and Date of Committee Meeting**

Audit Committee – 17 June 2025

**Report Title**

Treasury Management Outturn 2024-25

**Is this a Key Decision and has it been included on the Forward Plan?**

Yes

**Strategic Director Approving Submission of the Report**

Judith Badger, Strategic Director of Finance and Customer Services

**Report Author(s)**

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**Ward(s) Affected**

Borough-Wide

**Report Summary**

The Annual Treasury Management Report is the final treasury report for 2024/25. Its purpose is to review the treasury activity for 2024/25 against the Strategy agreed at the start of the year. The report also covers the actual Prudential Indicators for 2024/25 in accordance with the requirements of the Prudential Code.

The Council received an Annual Treasury Strategy Report in advance of the 2024/25 financial year at its meeting on 28 February 2024 and Audit Committee received a mid-year report at its meeting on 26 November 2024, representing a mid-year review of treasury activity during 2024/25. In addition, quarterly updates were received by Audit Committee on 26 September 2024 and 11 March 2025.

This report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities.

The Council is required to comply with both Codes through regulations issued under the Local Government Act 2003.

## **Recommendations**

1. To note the Treasury Management Prudential Indicators outturn position as set out in Section 2 and Appendix 1.

## **List of Appendices Included**

Appendix 1– Summary Prudential Indicators for Rotherham MBC

## **Background Papers**

The Council's Budget and Council Tax Report 2024/25, including Treasury Management Strategy and Prudential Indicators report to Council on 28th February 2024

Treasury Management Update – Quarterly Report (Q1) to Audit Committee on 26<sup>th</sup> September 2024

Mid-Year Treasury Management and Prudential Indicators Monitoring report to Audit Committee on 26th November 2024

Treasury Management Update – Quarterly Report (Q3) to Audit Committee on 11<sup>th</sup> March 2025

CIPFA – Code of Practice for Treasury Management in the Public Services Local Government Act 2003 (as updated)

CIPFA – Prudential Code (as updated)

## **Consideration by any other Council Committee, Scrutiny or Advisory Panel**

No

## **Council Approval Required**

No

## **Exempt from the Press and Public**

No

## **1. Background**

1.1 The Council's treasury management activities are regulated by the Local Government Act 2003, supplemented by a number of codes of practice and statutory guidance:

- The Local Government Act 2003 (the Act) provides the powers to borrow and invest as well as providing controls and limits on this activity;
- The Act permits the Secretary of State to set limits either on an individual Council or on all local authorities or any of them restricting the amount of borrowing which may be undertaken (although no restrictions were made in 2024/25);
- Statutory Instrument (SI) 3146 2003, as amended from time to time, gives effect to the Act;
- The SI requires the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities;
- The SI also requires the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services;
- Under Section 15(1)a of the Act the MHCLG has issued Statutory Guidance on Local Government Investments to structure and regulate councils' investment activities; and
- Under Section 238(2) of the Local Government and Public Involvement in Health Act 2007 (revised), the Secretary of State has taken powers to issue guidance on accounting practices. Guidance on Minimum Revenue Provision was issued under this section on 8th November 2007.

1.2 The Council has carried out its functions in accordance with the Act, SI 3146 2003 and all associated guidance and professional codes, which limit the levels of risk associated with its treasury management activities. In particular, the adoption and implementation of the Prudential Code and the Code of Practice for Treasury Management means that its capital expenditure is prudent, affordable and sustainable. Treasury investment practices are governed by the primary objectives of security ahead of liquidity and then yield.

1.3 The underlying economic and financial environment remains difficult for the Council to predict. Inflation has fallen back from historic highs in recent years and the Bank of England has started to cut interest rates. However, the cost of long-term borrowing from PWLB has increased during the year. On investments the main challenge relates to concerns over investment counterparty risk. This background encourages the Council to continue maintaining investments short term and with low risk counterparties.

1.4 On a daily basis money flows into and out of the Council's bank accounts and this has to be managed carefully. The Council manages its cashflow on a daily basis to take account of income received from grants, fees and charges, local taxation and borrowing alongside its outgoings due to the expenditure the Council incurs, such as salaries and supplier payments. The cashflow process is about ensuring the Council has sufficient funds available in its bank accounts to meet the payments that it plans to make each day. This process is separate from the

Council's financial monitoring that tracks planned and actual expenditure against planned budgets.

- 1.5 The Council has reduced its investment balances in recent years as funds have been used to meet loan maturities rather than refinancing at historically high interest rates. In 2024-25 the Council borrowed an additional £95m from Local Authorities and PWLB. In addition, the Council repaid £55.2m of principal on a mix of Local Authority, PWLB and LOBO loans on which the lender exercised its option to increase interest rates to above market rates.
- 1.6 The Bank of England Base Rate decreased from 5.25% to 4.50% during 2024/25 as inflation started to fall from the previous highs. As at 31 May 2025 the base rate sits at 4.25%.
- 1.7 Careful management of these factors through the Council's treasury strategy has helped to control the Council's interest costs. Taken together the additional return on investments, reduced borrowing need and further slippage on the Council's Capital Programme have enabled an £8m underspend on the 2024/25 Treasury Management budget that has been used to support the Council's 2024/25 overall outturn position.

## **2. Key Issues**

- 2.1 Indicators are set prior to the start of the financial year and reflect the known position at that time. Approved changes to the Capital Programme and its funding throughout the financial year, together with variations in treasury management activity, mean that actual indicators for the year may vary from the projections made prior to the start of the financial year. However, through regular monitoring and reporting revised estimates of these indicators, the Council is able to ensure the impact is known and managed through the Medium Term Financial Strategy.
- 2.2 The actual prudential indicators for 2024/25 for Rotherham MBC, with comparators, are shown in the attached Appendix 1. Background to these is provided in the following paragraphs.
- 2.3 **Impact of the Council's Capital Expenditure and Financing 2024/25** - the Council expends capital expenditure on long term assets. This may either be:
  - Financed immediately through capital receipts, capital grants etc.; or
  - Financed over the life of the asset by use of Prudential Borrowing
- 2.4 Part of the Council's Treasury activities is to address this borrowing need, either through borrowing from external bodies, or utilising temporary cash resources within the Council. The wider treasury activities also include managing the Council's cash flows, its previous borrowing activities and the investment of surplus funds. These activities are structured to manage risk foremost, and then optimise performance. The primary objective is security ahead of liquidity and then yield or return.

- 2.5 The Council's underlying need to borrow is called the Capital Financing Requirement (CFR). This figure is a gauge for the Council's debt position. It represents 2024/25 and prior years' net capital expenditure which has not yet been paid for by revenue or other resources. In accordance with current accounting regulations, the CFR also includes other long term liabilities which have been brought on balance sheet, for example, PFI schemes and Right of Use assets.
- 2.6 The Non-HRA (Housing Revenue Account) element of the CFR (excluding PFI schemes and finance lease assets) is reduced each year by a statutory revenue charge (the Minimum Revenue Provision or MRP). The CFR can also be reduced by:
- the application of additional capital resources (such as unapplied capital receipts); or
  - charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).
- 2.7 At the end of the financial year 2024/25 the closing CFR is £10.3m less than that approved in the revised indicator, via the Mid-Year report. The reduction is due to slippage on a number of capital schemes and additional grant funding gained, that in turn reduces the Council's need to borrow at this point in time and has the knock on effect of generating savings against the treasury budget for 2024/25 onwards as planned interest payments and minimum revenue provision payments are reduced or pushed further into the future.
- 2.8 Treasury Position at 31 March 2025 - whilst the Council's gauge of its underlying need to borrow is the CFR, the Treasury Management function, as authorised by the Strategic Director of Finance and Customer Services, can manage the Council's actual borrowing position by either:
- borrowing to the CFR (excluding the impact of PFI and similar contracts); or
  - choosing to utilise some temporary internal cash flow funds instead of borrowing (under-borrowing); or
  - borrowing for future increases in the CFR (borrowing in advance of need).
- 2.9 During 2024/25 the Council continued to pursue its short-term borrowing strategy in line with advice from its Treasury advisers. Borrowing is taken only as needed and will be refinanced in the next few years. This has resulted in a significant increase in the net under borrowed position.
- 2.10 The Council will continue to monitor the interest position with a view to take out further long term borrowing if there are dips in the long term borrowing rates but currently is utilising short term borrowing to cover immediate borrowing need in anticipation of lower rates in the future.
- 2.11 At 31 March 2025, the Council's borrowing (excluding PFI and similar schemes) and investments were as follows:

## 2.12 Table 1 Council's Treasury Position 2024/2025

<b>Net Borrowing</b>	<b>As At 31 March 2024 £m</b>	<b>As At 31 March 2025 £m</b>
<b>Long Term Borrowing</b>		
Public Works Loans Board (PWLB)	390.233	420.000
Market (e.g. Banks, Other Local Authorities) > 1 year	217.000	147.000
<b>Short Term Borrowing</b>		
Public Works Loans Board (PWLB)	5.223	30.233
Market (e.g. Banks, Other Local Authorities) < 1 year	25.000	80.000
	<b>637.456</b>	<b>677.233</b>
<b>External Investments</b>		
Debt Management Office	0.000	0.000
Other Local Authorities	0.000	0.000
Money Market Funds	24.790	31.895
	<b>24.790</b>	<b>31.895</b>
<b>Net Borrowing</b>	<b>612.666</b>	<b>645.338</b>
<b>Net Borrowing - Excluding Short Term Borrowing</b>	<b>587.666</b>	<b>565.338</b>
<b>Capital Financing Requirement (excl Other Long Term Liabilities)</b>	<b>814.638</b>	<b>843.584</b>
<b>Net Under-Borrowed</b>	<b>226.972</b>	<b>278.246</b>

2.13 Against the Council's Capital Financing Requirement of £843.584m, when PFI and similar arrangements totalling £138.970m are excluded, the Council's outstanding net borrowing of £565.338m (excluding short term borrowing), is lower than this requirement by £278.246m. The Council has pursued a short term borrowing strategy, running investment balances down and borrowing funds only as required. In 2024/25 £95m of additional borrowing has been taken out through PWLB Loans and Local Authority market loans to finance the capital programme as well as the refinancing of £55.2m of loan maturities (resulting in a £39.8m reduction in total long term and short term borrowing).

2.14 Total savings in the Treasury Management budget for 2024/25, arising from all treasury activity including cash-flow management, was £8m and as per the Council's Budget and Council Tax report 2025/26 these have been used to support the Budget and Medium Term Financial Strategy. In addition, treasury management and capital financing decisions taken at the year end will also enable a re-profiling of MRP and interest forecasts to allow for further savings in 2025/26. These decisions generate in excess of £3.4m of cost savings to be contributed towards the treasury management budget in 2025/26, although it

should be noted that some of this saving is as a result of slippage in the Capital Programme and as such are temporary.

## 2.15 **PRUDENTIAL INDICATORS AND COMPLIANCE ISSUES**

Some of the prudential indicators provide either an overview or specific limits on Treasury activity:

- 2.16 **Net Borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term the Council's external borrowing net of investments must only be used for a capital purpose. Net borrowing should not therefore, except in the short term, have exceeded the CFR for 2024/25 plus the expected changes to the CFR for 2025/26 and 2026/27. The Council complied with this prudential indicator throughout 2024/25.
- 2.17 **The Authorised Limit** – the Authorised Limit is the “Affordable Borrowing Limit” required by S3 of the Local Government Act 2003. The Council does not have the power to borrow above this level. The Council maintained gross borrowing within its Authorised Limit, both excluding and including the impact of bringing PFI and similar arrangements on to the Council's Balance Sheet.
- 2.18 **The Operational Boundary** – The Operational Boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the Boundary is acceptable subject to the Authorised Limit not being breached. The Council maintained its borrowing position around its Operational Boundary.
- 2.19 **Actual financing costs as a proportion of net revenue stream** – This indicator identifies the trend in the cost of capital (borrowing and the cost of other long term obligations but net of investment income) against the Council's Budget Requirement (net revenue stream) for the General Fund and budgeted income for the HRA.
- 2.20 The General Fund shows a reduction in the actual financing costs as a proportion of net revenue stream. The General Fund ratio decreased from 12.66% (original budget) to 7.78% (actual out-turn). This was mainly as a result of reduced borrowing costs for the year as the Council undertook lower than expected additional borrowing during the year. The increased interest received on investments also contributed to this reduction. The HRA ratio increased from 13.70% (original budget) to 14.29% (actual out-turn). This increase is due to the increased interest cost due to the HRA during the year and reflective of HRA capital programme having very little slippage.

## 2.21 **TREASURY MANAGEMENT INDICATORS**

### **Limits on Activity**

Upper limits on fixed and variable interest rates as at 31 March 2025 - These indicators identify the maximum limits for fixed interest rate gross debt and for variable interest rates based upon the debt position, net of investments. The Council remained within the limits set throughout 2024/25.

2.22 Maturity structure of fixed rate borrowing during 2024/25 - These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing and are required for upper and lower limits. The Council's strategy of borrowing on a short term basis will result in an increased refinancing risk in the near term.

Maximum funds invested for more than 365 days - This limit is set to reduce the need for early sale of an investment and is based on the availability of funds after each year end.

## 2.23 Borrowing

New and Replacement Borrowing - During the year a total of £55.2m of principal on existing loans has been repaid. This has been refinanced by £95m of new loans detailed in the table below.

## 2.24 Table 2 Borrowing taken in 2024/25

Lender	Start Date	Principal	Type	Term	Interest Rate %
West Yorkshire Combined Authority	03/06/2024	£15,000,000	Temp	11 months	5.10
PWLB	25/06/2024	£20,000,000	Maturity	24 months	4.77
PWLB	06/12/2024	£40,000,000	Maturity	24 months	4.51
LONDON TREASURY LIQUIDITY FUND	07/03/25	£20,000,000	Temp	1 Month	5.80

2.25 Debt Repayment – long term loans totalling £55.223m matured during the year as shown in the table below. Part repayments of principal (£0.223m) continued on the Annuity loans taken up in prior years.



## 2.26 Table 3 Debt Repayments 2024/25

Lender	Principal £m	Type	Interest Rate	Weighted Average rate of interest
DEXIA	25.000	LOBO	4.07%	
SYMCA	5.000	Fixed rate	2.54%	
OXFORDSHIRE CC	5.000	Fixed rate	0.48%	
WHITE HORSE	5.000	Fixed rate	0.80%	
PWLB	5.000	Fixed rate	5.63%	
OXFORDSHIRE CC	5.000	Fixed rate	0.48%	
OXFORDSHIRE CC	5.000	Fixed rate	0.55%	
PWLB Annuity	0.223	Annual repayments	Various	
Total:	£55.223	2.81%		

## 2.27 Investments

The Council's investment policy is governed by DLUHC Guidance, which was implemented in the annual investment strategy approved by Council on 28th February 2024. The investment activity during the year conformed to the approved strategy.

- 2.28 The Council maintained an average balance of £32.5m and received an average return of 4.98%. The Council continued to use Money Market Funds for short-term deposits, which are AAA rated securities and offer a slightly better rate of interest than the Debt Management Office. The Bank of England base rate decreased from 5.25% to 4.50% during 2024/25.

### 3. Options considered and recommended proposal

No options considered as the report outlines actual Treasury Management activity during 2024/25.

### 4. Consultation on proposal

- 4.1 None required

### 5. Timetable and Accountability for Implementing this Decision

- 5.1 None required

## **6. Financial and Procurement Advice and Implications**

- 6.1 Treasury Management forms an integral part of the Council's overall financial arrangements. This report provides an update on the performance of the treasury management functions for 2024/25 against the prudential indicators as outline in the Treasury Management Strategy for 2024/25. There were no breaches of prudential indicators to report and savings were generated from the treasury management strategy adopted that played vital role in enabling the Council to operate a balanced budget.
- 6.2 There are no direct procurement implications arising from the report.

## **7. Legal Advice and Implications**

- 7.1 Compliance with legislation and guidance included in section 1 of this report ensures that the Council operates compliantly and within the requirements for local authority treasury management.

The Council has complied with the Prudential Indicators as detailed in Section 2.

The amount of borrowing detailed in Section 2 together with managing that borrowing in a manner compliant with the Prudential Indicators demonstrates that the amount of borrowing and the means of managing that borrowing is within the parameters set by the Act and the Prudential Code.

## **8. Human Resources Advice and Implications**

- 8.1 No direct implications.

## **9. Implications for Children and Young People and Vulnerable Adults**

- 9.1 No direct implications

## **10. Equalities and Human Rights Advice and Implications**

- 10.1 This is a finance update report, providing a review of the Council's Treasury Management outturn position for 2024/25. Any equalities and human rights impacts from service delivery have been or are detailed as capital projects are pulled together for inclusion within the Council's capital programme.

## **11. Implications for CO2 Emissions and Climate Change**

- 11.1 No direct implications.

## **12. Implications for Partners**

- 12.1 None identified.

### **13. Risks and Mitigation**

- 13.1 Regular monitoring of treasury management activity throughout the financial year ensures that risks and uncertainties are addressed at an early stage and hence kept to a minimum.

### **14. Accountable Officers**

Natalia Govorukhina, Head of Corporate Finance