

Audit Committee

31 July 2025

Treasury Management Outturn Annual Report

Report from: Phil Watts, Chief Operating Officer, Business Support and Digital

Authors: Andy McNally-Johnson, Head of Corporate Accounts
Claire Sharman, Finance Business Partner (Technical Accounts)

Summary

This report gives an overview of treasury management activity during 2024/25. Throughout the period the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Prudential and treasury indicators	2023/24 Actual £000	2024/25 Per Strategy* £000	2024/25 Actual £000
Capital expenditure			
• General Fund	53,984	91,350	75,032
• HRA	10,582	14,439	10,202
• Total	64,566	105,789	85,234
Capital Financing Requirement:			
• General Fund	453,888	518,635	513,997
• HRA	45,844	55,289	45,401
External debt (principal only)	405,891	527,382	585,706
Investments:			
• Longer than 1 year (subsidiaries)	87,258	74,779	115,516
• Property Funds (redemption value)	19,926	20,181	17,741
• Under 1 year	14,710	33,777	34,404
• Total	121,894	128,737	167,662
Net borrowing	348,694	398,645	418,044

* Audit Committee January 2024 Investments “per Strategy” are actual values as at 30 November 2023 including property funds at original cost.

Other prudential and treasury indicators are to be found in the main body of this report. Apart from the Exceptional Financial Support Capitalisation Direction and for cash flow reasons due to the non-receipt of an expected Government Grant (see

paragraph 5.8 for further details), the Chief Operating Officer also confirms that borrowing was only undertaken for a capital purpose and the statutory borrowing limit, the authorised limit, was not breached.

1. Recommendation

- 1.1. The Committee is asked to note the treasury management outturn annual report.

2. Budget and Policy Framework

- 2.1. The Council's Treasury Management Strategy and Policy are approved by Full Council following consideration by Cabinet and Audit Committee. The Audit Committee is responsible for approving the annual treasury outturn. In line with the Constitution an annual report must be taken to Cabinet detailing the Council's treasury management outturn within six months of the close of each financial year.

3. Background

- 3.1. This Council is required by regulations issued under the Local Government Act 2003 to produce an annual review of treasury management activities and the actual prudential and treasury indicators for 2024/25. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
- 3.2. During 2024/25 the minimum reporting requirements were that the full Council should receive the following reports:
 - An annual treasury strategy in advance of the year (Council 29 February 2024).
 - A mid-year treasury review report (Council 23 January 2025).
- 3.3. The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Members.
- 3.4. This Council also confirms that it has complied with the requirements under the Code to give prior scrutiny to all the above treasury management reports by the Audit Committee before they were reported to the full Council. Further training on treasury management issues was provided to Members of the Audit Committee on 20 March 2025 to support Members' scrutiny role.
- 3.5. This annual treasury outturn report summarises:
 - Capital activity during the year,
 - Impact of this activity on the Council's underlying indebtedness (the Capital Financing Requirement),
 - The actual prudential and treasury indicators,
 - Overall treasury position identifying how the Council has borrowed in relation to this indebtedness and the impact on investment balances,
 - Summary of interest rate movements in the year,

- Detailed debt activity,
- Detailed investment activity.

4. The Council's Capital Expenditure and Financing

- 4.1. The Council undertakes capital expenditure on long-term assets. These activities may be either:
- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
 - If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.
- 4.2. The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure all of which was financed during the year.

General Fund	2023/24 Actual £000	2024/25 Per Strategy £000	2024/25 Actual £000
Capital expenditure	53,984	91,350	75,032
Financed in year (from receipts, grants, revenue contributions etc.)	(26,763)	(36,924)	(36,691)
Unfinanced (requiring borrowing)	27,221	54,426	38,340

HRA	2023/24 Actual £000	2024/25 Per Strategy £000	2024/25 Actual £000
Capital expenditure	10,582	14,439	10,202
Financed in year	(7,159)	(6,123)	(10,202)
Unfinanced (requiring borrowing)	3,423	8,316	0

5. The Council's Overall Borrowing Need

- 5.1. The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2024/25 unfinanced capital expenditure (see above table), and prior years' net unfinanced capital expenditure which has not yet been paid for by revenue or other resources.
- 5.2. Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, treasury officers organise the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board [PWLB], or the money markets), or utilising temporary cash resources within the Council.

- 5.3. *Reducing the CFR* – the Council's (non HRA) underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure broadly that capital assets are charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision- MRP to reduce the CFR, this is effectively a repayment of the non-Housing Revenue Account (HRA) borrowing need, (there is no statutory requirement to reduce the HRA CFR – though Medway's policy is to provide Voluntary Revenue Provision [VRP] on HRA borrowing). This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.
- 5.4. The total CFR can also be reduced by:
- The application of additional capital financing resources (such as unapplied capital receipts); or
 - Charging more than the statutory revenue charge (MRP) each year through Voluntary Revenue Provision (VRP).
- 5.5. The Council's 2024/25 MRP Policy (as required by MHCLG Guidance), was approved as part of the Treasury Management Strategy 2024/25 on 29 February 2024.
- 5.6. The Council's CFR for the year is shown below and represents a key prudential indicator.

CFR: General Fund	2023/24 Actual* £000	2024/25 Per Strategy £000	2024/25 Actual* £000
Opening balance	415,630	470,522	453,888
Add unfinanced capital expenditure (as above)	27,221	54,426	18,101
Capitalisation of Revenue Costs Under EFS	0	0	20,239
Long Term Debtors - Capital Principle	12,030	0	22,576
Long Term Debtors - Capital Interest	5,945	0	5,682
Less MRP	(5,669)	(5,203)	(5,350)
Less Debt Repaid from Capital Grants/Contributions	(112)	0	(29)
Less KCC Debt Repayment	(1,156)	(1,110)	(1,110)
Closing balance	453,888	518,635	513,997

* The long-term debtors relate to capital loans provided to Medway Development Company Limited. These were not included in the 2024/25 Treasury Strategy as the costs were included at that time in the Capital Programme, which therefore meant that these were included un the unfinanced capital expenditure. Following advice from the Chartered Institute of Public Finance and Accountancy (CIPFA), it was determined that the value of the loans should be removed from the Capital Programme and accounted for as Capital Loans, and therefore these have been analysed as capital debtors as shown above.

CFR: HRA	2023/24 Actual £000	2024/25 Per Strategy £000	2024/25 Actual £000
Opening balance	42,829	47,398	45,844
Add unfinanced capital expenditure (as above)	3,423	8,316	0
Less VRP	(408)	(425)	(443)
Closing balance	45,844	55,289	45,401

- 5.7. Borrowing activity is constrained by prudent indicators for gross borrowing and the CFR and by the authorised limit.
- 5.8. Gross borrowing and the CFR. To ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total capital financing requirement of the preceding year plus the estimates of any additional capital financing requirement for the current and the next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allows the Council some flexibility to borrow in advance of its immediate needs. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

	31 March 2024 Actual £000	31 March 2025 Per Strategy £000	31 March 2025 Actual £000
Gross borrowing position (principal)	470,587	527,382	585,706
CFR	499,731	573,924	559,399
Under- funding of CFR*	29,144	46,542	(26,307)

* This temporary position has occurred as a government grant due in 2024/25 for just under £33 million was not received and will be paid in the second quarter of 2025/26 which in turn has left the Council in a position where additional borrowing was required for cash flow purposes.

- 5.9. The authorised limit. The authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table in 5.11 below demonstrates that during 2024/25 the Council has maintained gross borrowing within its authorised limit.
- 5.10. 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 are acceptable subject to the authorised limit not being breached.
- 5.11. Actual financing costs as a proportion of net revenue stream. This indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream.

	2024/25 £000
Authorised limit	743,516
Maximum gross borrowing position during the year	585,706
Operational boundary	675,934
Average gross borrowing position	528,147
Financing costs as a proportion of net revenue stream (General Fund)	5.84%
Financing costs as a proportion of net revenue stream (HRA)	11.88%

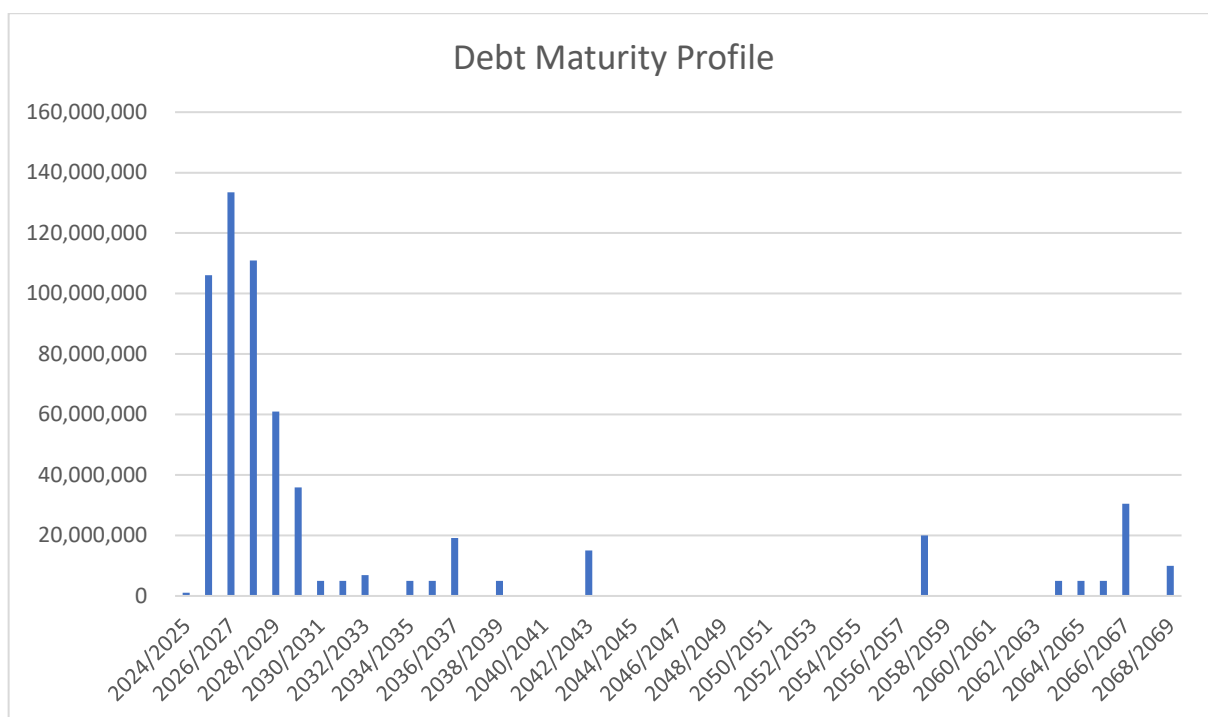
6. Treasury Position as at 31 March 2025

- 6.1. The Council's treasury management debt and investment position is organised by the treasury management officers to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices. At the end of 2024/25 the Council's treasury was as follows:

Borrowing and investment levels:

	31/03/24 £000	Rate	31/03/25 £000	Rate
Long Term Borrowing – PWLB/LOBO	297,824	4.13%	447,846	4.37%
Long Term Borrowing – Other Local Authority	52,500	4.40%	47,500	5.03%
Long Term Borrowing – Growing Places/Salix/LEP	359	0.00%	359	0.00%
Short Term Borrowing	114,100	3.86%	90,001	4.73%
Total Debt (Principal)	464,783		585,706	
Capital Financing Requirement (CFR)	499,475		559,399	
<i>(Under)/Over Borrowing</i>	<i>(34,692)</i>		<i>26,308</i>	
Less investments (exc. Property Funds & Loans to Subsidiaries)	14,710	5.17%	33,943	4.56%
Less Loan to Kyndi Ltd	890	5.00%	625	5.00%
Less Loan to MDC (Land & Projects)	75,258	8.00%	77,405	8.00%
Less Loan to MDC (Private Rented Sector)	12,000	5.98%	38,076	5.72%
Less Property Fund Investments *	19,926	(1.23%)	17,742	11.03%
Net borrowing	297,824		417,915	

* The return on the property fund investments includes the change in capital value.



- 6.2. Of the loans repayable in the year ending 31 March 2025, the current strategy, should there be a need to replace with new loans, these will commence at the time the previous loan is due to mature, and the Council will look for these to mature within three years, where possible. Officers will review this strategy, which is purposely skewed towards the shorter term, to protect from being tied into long term interest rates that are currently higher than they are forecast to be in the coming years.
- 6.3. The Ministry of Housing, Communities and Local Government (MHCLG) guidance since 2011 has been to show the maturity date for Lenders Options, Borrowers Options (LOBOs) as the next call date. The table does not follow this guidance because no formal approaches have been made by lenders requiring early repayment. LOBOs have therefore been shown as maturing at their full term.
- 6.4. Upper limits for the proportion of debt maturing within various bands of years were set at the start of the year as shown below. In addition to the percentage limits, the 2024/25 approved Treasury Strategy limited borrowing repayable within 12 months to £150,000,000.

Maturity Structure of Fixed rate Borrowing during 2024/25	Upper Limit	Lower Limit
under 12 months	50%	0%
12 months and within 24 months	50%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	50%	0%
10 years and above	100%	0%

The investment portfolio is shown below.

INVESTMENT PORTFOLIO	Actual 31/03/24 £000	Actual 31/03/24 %	Actual 31/03/25 £000	Actual 31/03/25 %
Treasury investments				
Banks	10,528	8.57	14,256	8.45
Medway Council Subsidiaries	88,148	71.79	116,505	69.08
Total managed in house	98,676	80.37	130,762	77.53
Property funds	19,926	16.23	17,741	10.52
Cash fund managers	4,182	3.41	20,148	11.95
Total managed externally	24,108	19.63	37,889	22.47
TOTAL TREASURY INVESTMENTS	122,784	100.00	168,651	100.00

6.5. Property fund investment and income are summarised below.

	CCLA	Patriza	Total
	£000	£000	£000
Opening Value 31 March	11,386	4,890	16,276
Revaluation	219	805	1,024
Closing Value 30 June	11,606	5,694	17,300
Dividend Received	595	177	771
Overall Gain/ (Loss)	814	982	1,795

	Lothbury
	£0
Closing Value	3,650
Dividend/Redistribution Received	(3,208)
Awaiting Redistribution	442

6.6. The property funds produced positive overall returns this year. Members should note however that under The Local Authorities (Capital and Accounting) (England) Regulations 2018 (SI 2028/1207) capital gains and losses are recorded in a Pooled Investment Funds Adjustment Account in the balance sheet and do not impact on revenue. This arrangement was scheduled to end on 31 March 2025, but has now been extended until 31 March 2029. The cumulative loss on the Adjustment Account at 31 March 2025 was £2,049,632.

6.7. It should be noted that it was approved at a stakeholders meeting that the Lothbury Property fund ceased as at 31 May 2024 and the losses on the final valuation of £1.3million were made for this as part of the 2023/24 Interest & Financing Outturn. The Council has continued to receive settlements throughout 2024/25 as and when assets are sold, and the amount remaining to be realised is just over £440,000 as at 31 March 2025.

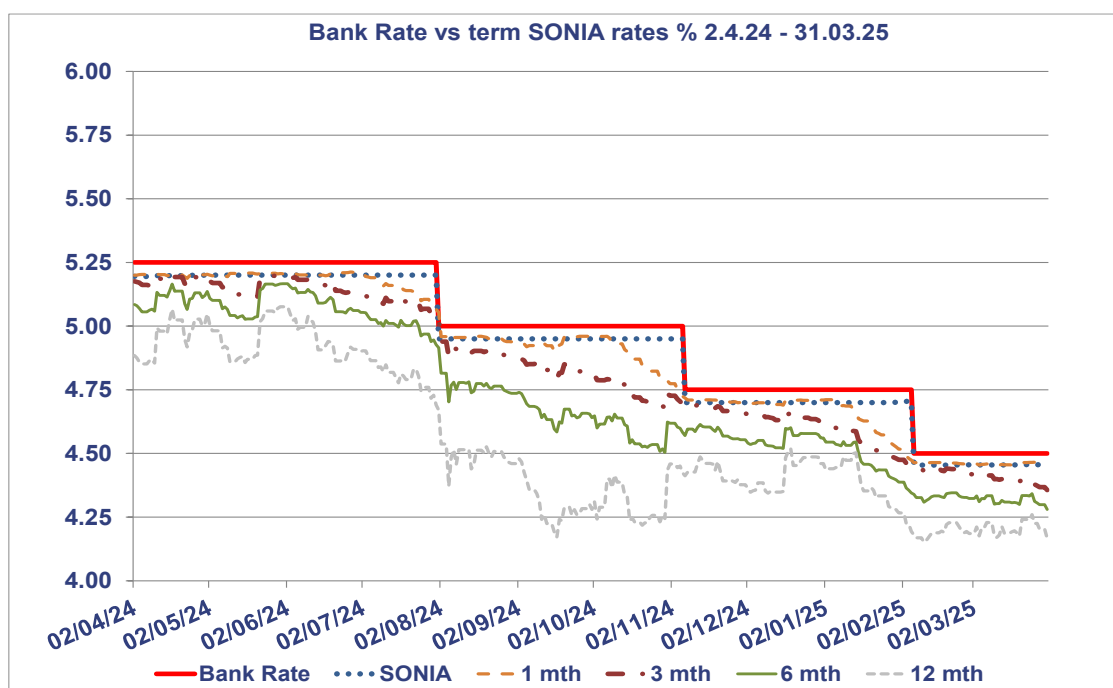
7. The Strategy for 2024/2025

7.1. The strategy for 2024/25 as set out before the start of the year was to aim to smooth out the maturity profile of debt. Although loans repayable before 31 March 2026 (£55million) remain a significant proportion of the debt portfolio, some £200m of new loans with durations of more than 12 months were taken during 2024/25. Whilst the majority of debt will need to be repaid within three years, it is hoped that economic conditions in the future will allow more longer term borrowing to assist with the smoothing of the maturity profile, and this strategy will be kept under constant review.

7.2. Investment strategy and control of interest rate risk

7.2.1. This authority does not have sufficient cash balances to be able to place deposits for more than a month so as to earn higher rates from longer deposits. While the Council has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the financial crisis. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.

7.2.2. Officers aimed to keep Investment balances to a minimum through the agreed strategy of using reserves and balances to support internal borrowing as far as possible.



FINANCIAL YEAR TO QUARTER ENDED 31/03/2025						
	Bank Rate	SONIA	1 mth	3 mth	6 mth	12 mth
High	5.25	5.20	5.21	5.20	5.17	5.08
High Date	02/04/2024	03/05/2024	27/06/2024	17/04/2024	31/05/2024	30/05/2024
Low	4.50	4.45	4.45	4.36	4.28	4.15
Low Date	06/02/2025	12/02/2025	04/03/2025	31/03/2025	31/03/2025	10/02/2025
Average	4.95	4.90	4.88	4.82	4.72	4.54
Spread	0.75	0.75	0.76	0.85	0.89	0.93

7.3. Borrowing Strategy and control of interest rate risk

7.3.1. As at 31/03/2025, the Council has reported an over-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow was not sufficient to be used as an interim measure. The reason for this has been explained at the foot of the table in Section 5.8. Long-term borrowing costs are expected to fall back through 2025 and 2026 in the light of economic growth concerns and the eventual dampening of inflation. The Authority has sought to minimise the taking on of long-term borrowing at elevated levels (>5%) and has focused on a policy of internal and temporary borrowing, supplemented by short-dated borrowing (<5 years) as appropriate.

7.3.2. Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Director of Finance therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks (please adapt this outline to what you actually did in the year):

- if it had been felt that there was a significant risk of a sharp FALL in long and short-term rates, (e.g., due to a marked increase of risks around a relapse into recession or of risks of deflation), then long term borrowings would have been postponed, and potential rescheduling from fixed rate funding into short term borrowing would have been considered.
- if it had been felt that there was a significant risk of a much sharper RISE in long and short-term rates than initially expected, perhaps arising from the stickiness of inflation in the major developed economies, then the portfolio position would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years.

7.3.3. Interest rate forecasts initially suggested gradual reductions in short, medium and longer-term fixed borrowing rates during 2024/25. Bank Rate did peak at 5.25% as anticipated, but the initial expectation of significant rate reductions did not transpire, primarily because inflation concerns remained elevated. Forecasts were too optimistic from a rate reduction perspective, but more recently the forecasts, updated from November 2024 onwards, look more realistic.

7.3.4. At the start of April 2025, following the introduction of President Trump's trade tariffs policies, the market now expects Bank Rate to fall to 3.75% by the end of December 2025, pulling down the 5- and 10-year parts of the curve too.

7.3.5. This should provide an opportunity for greater certainty to be added to the debt portfolio, although a significant fall in inflation will be required to underpin any

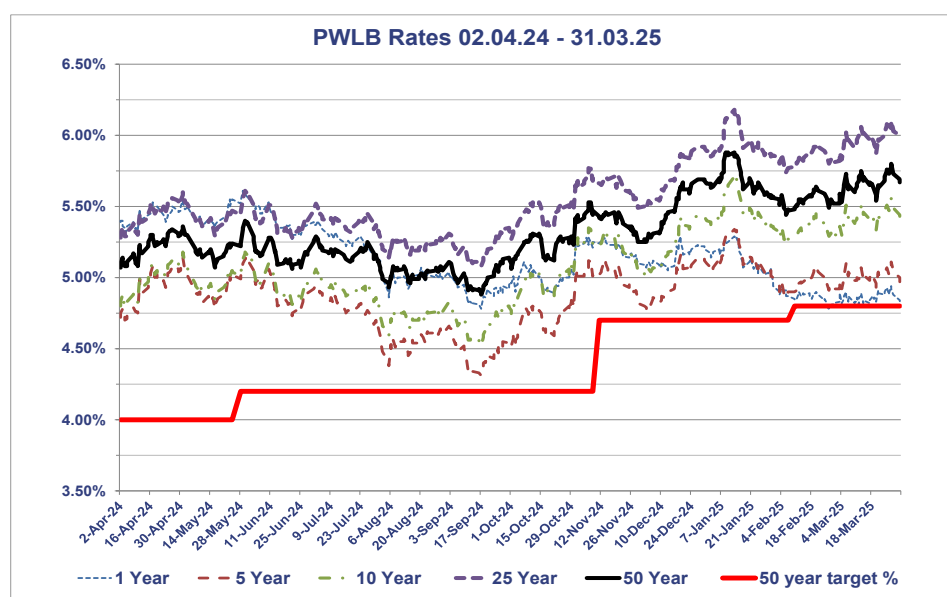
material movement lower in the longer part of the curve.

- 7.3.6. Forecasts at the time of approval of the treasury management strategy report for 2024/25 were as follows :

MUFG Corporate Markets Interest Rate View 05.02.24													
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.60	4.10	3.70	3.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.40	3.90	3.60	3.20	3.10	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

- 7.3.7. A cost of carry remained during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances; this would have incurred a revenue cost – the difference between (higher) borrowing costs and (lower) investment returns.

- 7.3.8. PWLB rates over the year were as follows:



8. Borrowing Outturn for 2024/25

- 8.1. The borrowing strategy for the Council confirmed the holding of £61.8 million in Lenders Options, Borrowers Options (LOBO) debt. These are debts that are subject to immediate repayment or variation of interest chargeable and the option to repay, on request from the lender on the review dates. However, the lender can only apply this clause once within the lifetime of the LOBO.
- 8.2. New long term PWLB and local authority loans totalling £200million were taken out and the balance of long-term borrowing from other local authorities stood at £47.5million as of 31 March 2025.
- 8.3. The Council continued to use cash balances to finance new capital expenditure when possible, to run down cash balances and minimise counterparty risk incurred on investments. This also maximised treasury management budget savings, as investment rates were much lower than most new borrowing rates. Details of the short-term borrowing at 1 April 2024 is shown in the table below:

Lender	Amount Borrowed £000	Date Commenced	Repayment Date	Annual Interest Rate (inc brokerage)
West Yorkshire Combined Authority	5,000,000	25/05/2023	22/05/2024	4.68%
South Yorkshire Mayoral Combined	5,000,000	20/06/2022	20/06/2024	1.76%
West Yorkshire Combined Authority	5,000,000	14/09/2022	21/06/2024	2.66%
West Yorkshire Combined Authority	5,000,000	21/09/2022	21/06/2024	2.66%
Caerphilly CBC	2,000,000	23/06/2022	24/06/2024	2.06%
Caerphilly CBC	2,000,000	23/06/2022	24/06/2024	2.06%
South Yorkshire Mayoral Combined	10,000,000	22/07/2022	22/07/2024	2.16%
Bridgend County Borough Council	5,000,000	25/07/2022	25/07/2024	2.66%
East Sussex County Council	5,000,000	22/06/2023	22/08/2024	5.36%
Cambridge City Council	5,000,000	25/07/2023	25/10/2024	5.91%
Gloucestershire County Council	5,000,000	25/07/2023	25/11/2024	5.56%
Test Valley Borough Council	5,000,000	20/12/2022	20/12/2024	4.31%
West Midlands Combined Authority	10,000,000	26/02/2024	24/02/2025	4.60%
West Of England Combined Authority	5,000,000	14/03/2022	14/03/2025	0.61%
Cambridgeshire & Peterborough Combined Authority	5,000,000	14/03/2023	14/03/2025	4.21%
Warwickshire County Council	10,000,000	23/03/2023	24/03/2025	4.46%
PWLB	5,000,000	27/03/2019	27/09/2024	1.59%
PWLB	12,000,000	01/03/2024	01/03/2025	5.48%
PWLB	8,100,000	11/12/2023	11/12/2024	5.52%

8.4. New local authority loans taken during 2024/25 but repaid before 31 March 2025:

Lender	Amount Borrowed £000	Date Commenced	Repayment Date	Annual Interest Rate (inc. brokerage)
Tamworth Borough Council	5,000,000	24/05/2024	25/11/2024	5.40%
London Borough of Havering	5,000,000	22/05/2024	22/08/2024	5.40%
West Yorkshire Combined Authority	5,000,000	22/05/2024	31/01/2025	5.25%
Newport City Council	6,000,000	24/05/2024	30/05/2024	5.25%
Merseyside Fire and Rescue Service	3,000,000	14/06/2024	14/02/2025	5.30%
Birmingham City Council	10,000,000	31/07/2024	27/08/2024	5.18%
London Borough of Havering	5,000,000	22/08/2024	23/09/2024	5.05%
Newport City Council	5,000,000	23/08/2024	02/09/2024	4.96%
Birmingham City Council	10,000,000	27/08/2024	30/09/2024	5.05%
Birmingham City Council	10,000,000	30/09/2024	25/10/2024	5.05%
South Cambridgeshire District Council	5,000,000	25/09/2024	03/10/2024	5.05%
Birmingham City Council	5,000,000	27/09/2024	25/10/2024	5.05%

8.5. The following short-term loans were still outstanding at 31 March 2025:

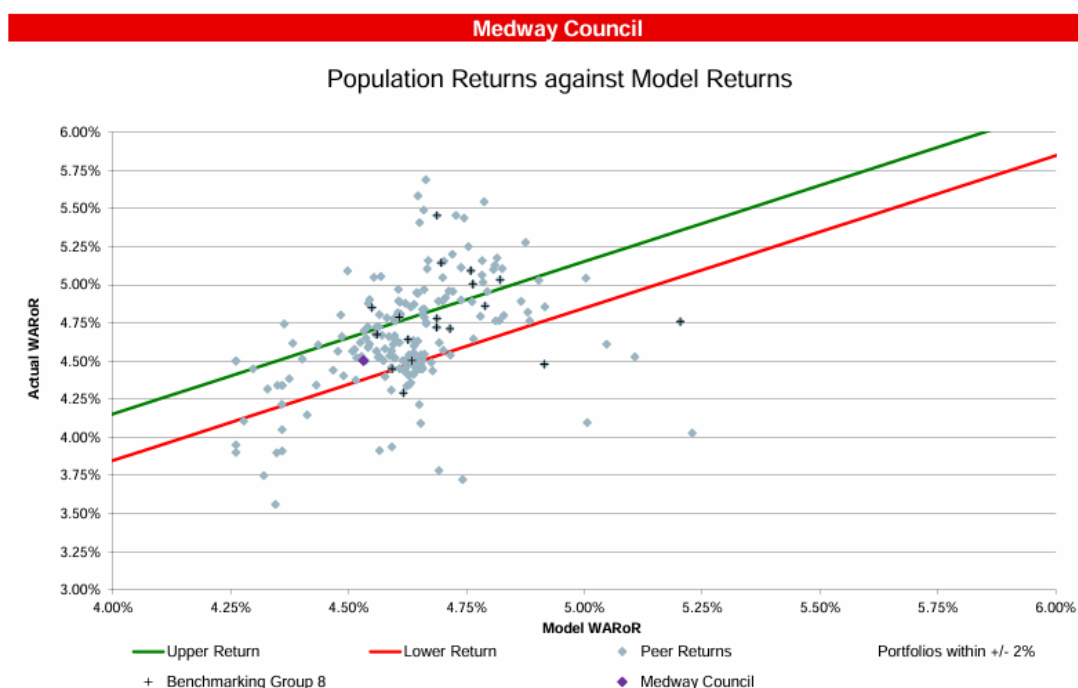
Lender	Amount Borrowed £000	Date Commenced	Repayment Date	Annual Interest Rate (inc. brokerage)
Torbay Borough Council	5,000,000	24/02/2023	04/04/2025	4.20%
West Midlands Combined Authority	10,000,000	22/04/2024	17/04/2025	4.45%
PWLB	5,000,000	22/03/2024	28/05/2025	5.44%
PWLB	5,000,000	22/03/2024	28/06/2025	5.44%
PWLB	5,000,000	26/03/2024	28/07/2025	5.39%
Cambridgeshire & Peterborough Combined Authority	5,000,000	24/08/2023	22/08/2025	5.55%
PWLB	5,000,000	20/03/2019	20/09/2025	1.78%
PWLB	5,000,000	25/03/2024	28/10/2025	5.31%
Warwickshire County Council	10,000,000	24/03/2025	26/01/2026	4.95%
PWLB	5,000,000	19/01/2024	19/02/2026	4.87%
Cambridgeshire & Peterborough Combined Authority	5,000,000	14/03/2025	13/03/2026	4.75%
West of England Combined Authority	5,000,000	14/03/2025	13/03/2026	4.75%
Devon County Council	10,000,000	24/03/2023	24/03/2026	4.30%
West of England Combined Authority	5,000,000	31/03/2025	30/03/2026	4.75%
PWLB	5,000,000	22/01/2024	23/02/2026	4.86%

9. Debt Rescheduling

- 9.1. No debt restructuring was undertaken during 2024/25 as the average differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

10. Investment Outturn for 2024/25

- 10.1. Investment Policy – the Council's investment policy is governed by MHCLC investment guidance, which has been implemented in the annual investment strategy approved by the Council on 29 February 2024. This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).
- 10.2. The average balance held in bank accounts and money market funds during the year was £25.9m producing an overall return of 4.17%. This money is held primarily for cash flow purposes.
- 10.3. At 31st March 2025 there were no investments with other local authorities.
- 10.4. The Council's performance relative to our peer group is shown by the graph below, which is a snapshot produced by MUFG Asset Services as at March 2025. Medway is the bold dot just below the green line.



11. Compliance with Treasury Limits

- 11.1. During 2024/25 there was one instance where approved limits within the Annual Investment Strategy were breached during the quarter ended 30th June 2024. Short term borrowing was temporarily more than the approved limit of £150million by £1.256million between 24/05/24 and 29/05/24. This approved limit is set within the Council's own treasury strategy, as one of a

series of prudential indicators of risk.

12. Risk Management

12.1. Risk and the management thereof is a key feature throughout the strategy and in detail within the treasury management practices (TMP1) within the Treasury Strategy.

Risk	Description	Action to avoid or mitigate risk	Risk rating
Interest rate Risk	The Council will be subject to adverse interest rates relating to its treasury functions	The Council together with its treasury management advisors will review both existing and anticipated market conditions to ensure both the investment and borrowing strategies are the most beneficial to the council whilst ensuring it takes a prudent approach to risk.	CIII
Liquidity risk	The Council will encounter liquidity issues which could impair its ability to make timely payments.	Officers will look to keep an accurate cash flow forecast which will determine the likely call on liquid cash which in turn determines whether treasury actions (borrowing/investments) are needed/available.	CIII

Likelihood	Impact:
A Very likely B Likely C Unlikely D Rare	I Catastrophic II Major III Moderate IV Minor

13. Financial Implications

13.1. Overall, the Interest and Financing budget made a surplus of £2.628million over its targeted budget of £19.211million.

13.2. A breakdown of the Interest and Financing budget is shown below:

Interest and Finance Budget against spend:

	Budget 2024/25 £000	Actual 2024/25 £000	(Under)/Overspend £000
Interest Earned	(5,842)	(11,758)	(5,916)
Interest Paid	17,342	21,265	3,923
KCC Principal	1,204	1,110	(94)
MRP	6,442	5,972	(649)
Treasury Costs	65	174	109
Total	19,211	16,583	(2,628)

13.3. The body of the report outlines the significant financial implications. Any

transactions undertaken on either investments or borrowings are governed by the London Code of Conduct, the Council's treasury policy statement, and the CIPFA Code of Practice on Treasury Management in Local Authorities.

14. Legal implications

- 14.1. For the financial year 2024/25 our investments were managed in compliance with the Codes of Practices, guidance and regulations made under the Local Government Act 2003.

Lead officer contact:

Andy McNally-Johnson, Head of Corporate Accounts, Gun Wharf,
Tel (01634) 333552 E-mail andy.mcnallyjohnson@medway.gov.uk

Appendices

Appendix 1 Commentary by Link Asset Services on The Economy and Interest Rates
Appendix 2 Glossary of Terms

Background papers

None