Treasury Management Outturn Report 2024/25

Introduction

In January 2023, the Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Council to approve, treasury management semi-annual and annual outturn reports.

This report includes the requirement in the 2021 code, mandatory from 1 April 2023, of quarterly reporting of the treasury management prudential indicators.

The Council's treasury management strategy for 2024/25 was approved at a meeting on 29 January 2024. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's treasury management strategy.

External Context

Economic background: Both the UK and US elected new governments during the period, whose policy decisions impacted the economic outlook. The Chancellor of the Exchequer delivered her Spring Statement in March 2025, following her Budget in October 2024. Based on the plans announced, the Office for Budget Responsibility downgraded its predictions for UK growth in 2025 to 1% from 2%. However, it upgraded its predictions for the four subsequent years. Inflation predictions for 2025 were pushed up, to 3.2% from 2.6%, before seen as falling back to target in 2027. The market reaction to the Spring Statement was more muted compared to the Budget, with very recent market turbulence being driven more by US trade policy decisions and President Trump.

After revising its interest rate forecast in November following the Budget, the council's treasury management advisor, Arlingclose, maintained its stance that Bank Rate will fall to 3.75% in 2025.

UK annual Consumer Price Index (CPI) inflation continued to stay above the 2% Bank of England (BoE) target in the later part of the period. The Office for National Statistics (ONS) reported headline consumer prices at 2.8% in February 2025, down from 3.0% in the previous month and below expectations. Core CPI also remained elevated, falling slightly in February to 3.5% from 3.7% in January, just below expectations for 3.6% but higher than the last three months of the calendar year.

The UK economy Gross Domestic Product (GDP) grew by 0.1% between October and December 2024, unrevised from the initial estimate. This was an improvement on the zero growth in the previous quarter, but down from the 0.4% growth between

April and June 2024. Of the monthly GDP figures, the economy was estimated to have contracted by 0.1% in January, worse than expectations for a 0.1% gain.

The labour market continued to cool, but the ONS data still require treating with caution. Recent data showed the unemployment rate rose to 4.4% (3mth/year) in the three months to January 2025 while the economic inactivity rate fell again to 21.5%. The ONS reported pay growth over the same three-month period at 5.9% for regular earnings (excluding bonuses) and 5.8% for total earnings.

The BoE's Monetary Policy Committee (MPC) held Bank Rate at 4.5% at its March 2025 meeting, having reduced it in February. This follows earlier 0.25% cuts in November and August 2024 from the 5.25% peak. At the March MPC meeting, members voted 8-1 to maintain Bank Rate at 4.5%, with the one dissenter preferring another 25 basis points cut. The meeting minutes implied a slightly more hawkish tilt compared to February when two MPC members wanted a 50bps cut. In the minutes, the Bank also upgraded its Q1 2025 GDP forecast to around 0.25% from the previous estimate of 0.1%.

The February Monetary Policy Report (MPR) showed the BoE expected GDP growth in 2025 to be significantly weaker compared to the November MPR. GDP is forecast to rise by 0.1% in Q1 2025, less than the previous estimate of 0.4%. Four-quarter GDP growth is expected to pick up from the middle of 2025, to over 1.5% by the end of the forecast period. The outlook for CPI inflation showed it remaining above the MPC's 2% target throughout 2025. It is expected to hit around 3.5% by June before peaking at 3.7% in Q3 and then easing towards the end of the year but staying above the 2% target. The unemployment rate was expected to rise steadily to around 4.75% by the end of the forecast horizon, above the assumed medium-term equilibrium unemployment rate of 4.5%.

Arlingclose, the authority's treasury adviser, maintained its central view that Bank Rate would continue to fall throughout 2025. From the cuts in August and November 2024 and February 2025, which took Bank Rate to 4.50%, May is considered the likely month for the next reduction, with other cuts following in line with MPR months to take Bank Rate down to around 3.75% by the end of 2025.

The US Federal Reserve paused its cutting cycle in the first three months of 2025, having reduced the Fed Funds Rate by 0.25% to a range of 4.25%-4.50% in December, the third cut in succession. Fed policymakers noted uncertainty around the economic outlook but were anticipating around 0.50% of further cuts in the policy rate in 2025. Economic growth continued to rise at a reasonable pace, expanding at an annualised rate of 2.4% in Q4 2024 while inflation remained elevated over the period. However, growth is now expected to weaken by more than previously expected in 2025, to 1.7% from 2.1%. The uncertainty that President Trump has brought both before and since his inauguration in January is expected to continue.

The European Central Bank (ECB) continued its rate cutting cycle over the period, reducing its three key policy rates by another 0.25% in March, acknowledging that monetary policy is becoming meaningfully less restrictive. Euro zone inflation has decreased steadily in 2025, falling to 2.2% in March, the lowest level since November 2024. Over the current calendar year, inflation is expected to average 2.3%. GDP growth stagnated in the last quarter of the 2024 calendar year, after expanding by 0.4% in the previous quarter. For 2025, economic growth forecasts were revised downwards to 0.9%.

Financial markets: Financial market sentiment was reasonably positive over most of the period, but economic, financial and geopolitical issues meant the trend of market volatility remained. In the latter part of the period, volatility increased, and bond yields started to fall following a January peak, as the economic uncertainty around likely US trade policy impacted financial markets. Yields in the UK and US started to diverge in the last month of the period, with the former rising around concerns over the fiscal implications on the UK government from weaker growth, business sentiment and higher rates, while the latter started falling on potential recession fears due to the unpredictable nature of policy announcements by the US President and their potential impact.

The 10-year UK benchmark gilt yield started the period at 3.94% and ended at 4.69%, having reached a low of 3.76% in September and a high of 4.90% in January in between. While the 20-year gilt started at 4.40% and ended at 5.22%, hitting a low of 4.27% in September and a high of 5.40% in January. The Sterling Overnight Rate (SONIA) averaged 4.90% over the period.

The period in question ended shortly before US President Donald Trump announced his package of ‘reciprocal tariffs’, the immediate aftermath of which saw stock prices and government bond yields falling and introduced further uncertainty over the economic outlook.

Credit review: In October, Arlingclose revised its advised recommended maximum unsecured duration limit on most banks on its counterparty list to six months. Duration advice for the remaining five institutions, including the newly added Lloyds Bank Corporate Markets, was kept to a maximum of 100 days. This advice remained in place at the end of the period.

Fitch revised the outlook on Commonwealth Bank of Australia (CBA) to positive from stable while affirming its long-term rating at AA-, citing its consistent strong earnings and profitability.

Other than CBA, the last three months of the period were relatively quiet on the bank credit rating front, with a small number of updates issued for a number of lenders not on the Arlingclose recommended counterparty list.

On local authorities, S&P assigned a BBB+ to Warrington Council, having previously withdrawn its rating earlier in 2024, and also withdrew its rating for Lancashire County Council due to the council deciding to stop maintaining a credit rating.

However, it still holds a rating with Fitch and Moody's. Moody's withdrew its rating of Cornwall Council after it chose to no longer maintain a rating.

Credit default swap prices generally trended lower over the period but did start to rise modestly in March, but not to any levels considered concerning. Once again, price volatility over the period remained generally more muted compared to previous periods.

Financial market volatility is expected to remain a feature, at least in the near term and, credit default swap levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remain under constant review.

Local Context

On 31 March 2025, the Council had net borrowing of £161.3m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31.3.24 Actual £m	**31.3.25 Actual £m**
General Fund CFR	25.6	35.2
HRA CFR	177.3	164.2
Total CFR	**202.9**	**199.4**
Less: *Other debt liabilities	(0)	(0)
Borrowing CFR	**202.9**	**199.4**
External borrowing**	(142.8)	(161.3)
Internal borrowing	60.1	38.1
Less: Balance sheet resources	(74.1)	(50.1)
Net	**14.0**	**12.0**

* finance leases, PFI liabilities and transferred debt that form part of the Council's total debt
** shows only loans to which the Council is committed and excludes optional refinancing

The treasury management position at 31 March and the change over the quarter is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.24 Balance £m	Movement £m	31.3.25 Balance £m	31.3.25 Rate %
Long Term Borrowing – PWLB	142.8	18.5	161.3	3.71
Total Borrowing	**142.8**	**18.5**	**161.3**	**3.71**
Short-Term Investments	(14.0)	2.0	(12.0)	(4.54)
Cash and cash Equivalents	(1.4)	(4.0)	(5.4)	(5.45)
Total Investments	**(15.4)**	**(2.0)**	**(17.4)**	**(4.77)**
Net Borrowing	**127.4**	**16.5**	**143.9**	

Borrowing

CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement and so may lead to new borrowing, unless directly and primarily related to the functions of the Council. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes.

The Council has not invested in assets primarily for financial return or that are not primarily related to the functions of the Council. It has no plans to do so in future.

Borrowing strategy and activity

As outlined in the treasury strategy, the Council's chief objective when borrowing has been to strike an appropriate risk balance between securing lower interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective. The Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. During the majority of the period short term interest rates have been higher than long term interest rates.

After substantial rises in interest rates since 2021 many central banks have now begun to reduce their policy rates, albeit slowly. Gilt yields were volatile but have increased overall during the period. Much of the increase has been in response to market concerns that policies introduced by the Labour government will be inflationary and lead to higher levels of government borrowing. The election of Donald Trump in the US in November is also expected to lead to inflationary trade policies.

The PWLB certainty rate for 10-year maturity loans was 4.80% at the beginning of the period and 5.42% at the end. The lowest available 10-year maturity rate was 4.52% and the highest was 5.71%. Rates for 20-year maturity loans ranged from 5.01% to 6.14% during the period, and 50-year maturity loans from 4.88% to 5.88%.

For the majority of the year the cost of short-term borrowing from other local authorities closely tracked Base Rate at around 5.00% - 5.25%. However from late 2024 rates began to rise, peaking at around 6% in February and March 2025.

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The PWLB HRA rate which is 0.4% below the certainty rate is available up to March 2026. This discounted rate is to support local authorities borrowing for the Housing Revenue Account and for refinancing existing HRA loans, providing a window of opportunity for HRA-related borrowing and to replace the Council's £6.5m loans relating to the HRA maturing during this time frame. The Council has borrowed a total of £11.0m at the HRA rate, this is to help fund the current capital projects, North Wingfield New Build scheme and Stonebroom Regeneration Project, that have been approved to utilise borrowing as part of their funding. There is also intention to borrow for the HRA during 2025-26 for the Stonebroom Regeneration Project.

At 31 March 2025 the Council held £161.300m of loans, a increase of £18.491m since 31 March 2024, as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 31 March are summarised in Table 3A below.

Table 3A: Borrowing Position

PWLB Borrowing Term	**Maturity Profile 31 March 2024 £'000**	**Net Movement £'000**	**Maturity Profile 31 March 2025 £'000**
12 Months	6,109	3,691	9,800
1 - 2 years	9,000	2,897	11,897
2 - 5 years	10,284	6,396	16,680
5 - 10 years	28,326	7,507	35,833
10 - 15 years	42,000	(0)	42,000
Over 15 years	47,090	(2,000)	45,090
Total PWLB Debt	**142,809**	**18,491**	**161,300**

The Council's borrowing decisions are not predicated on any one outcome for interest rates and a balanced portfolio of short-term and long-term borrowing was maintained.

There remains a strong argument for diversifying funding sources, particularly if rates can be achieved on alternatives which are below gilt yields + 0.80%. The Council will evaluate and pursue these lower cost solutions and opportunities with its advisor Arlingclose.

Treasury Management Investment Activity

The CIPFA Treasury Management Code now defines treasury management investments as those investments which arise from the Council's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Council's investment balances ranged between £10.0 and £29.0 million due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

Bank Name	Duration of Loan	B/Fwd 01/04/24 £000's	Amount Invested 2024/25 £000's	Amount Returned 2024/25 £000's	Balance Invested 31/3/25 £000's	Interest Received 31/3/25 £000's
Federated Fund 3	Call	3,000	22,653	(22,653)	3,000	(153)
Aberdeen Standard	Call	0	13,024	(13,024)	0	(24)
CCLA Public Sector Deposit Fund	1 Day Call	0	13,545	(13,545)	0	(45)
Aviva	Call	0	28,179	(23,179)	5,000	(179)
Invesco	Call	1,000	7,067	(4,067)	4,000	(67)
SSGA	Call	0	5,007	(5,007)	0	(7)
Lancashire County Council	12 Months	5,000	163	(5,163)	0	(163)
Aberdeen County Council	12 Months	5,000	197	(5,197)	0	(197)
Total		**14,000**	**89,835**	**(91,835)**	**12,000**	**(835)**

Overnight Investments

The balance of the daily surplus funds can be placed as overnight investments with the Councils bank which is Lloyds. The maximum amount invested with Lloyds in the financial year was £4.788m. There has been no breach of the £5m limit set in the Treasury Management Strategy. For clarity, this limit relates to the amount invested and doesn't include interest accruing as a result. The interest earned from daily balances up to 31 March 2025 is £103,626.38.

Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

As demonstrated by the liability benchmark in this report, the Authority expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different asset classes and boost investment income.

Bank Rate reduced from 5.25% to 5.00% in August 2024, again to 4.75% in November 2024 and again to 4.5% in February 2025 with short term interest rates largely being around these levels.

The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 5 below.

Table 5: Investment Benchmarking – Treasury investments managed in-house

	Credit Score	**Credit Rating**	**Bail-in Exposure**	**Weighted Average Maturity (days)**	**Rate of Return %**
31.03.2024 31.3.2025	4.50	A+	69%	1	4.57
Similar Las/All LAs	4.77	A+	64%	8	4.55

*Weighted average maturity

Statutory override: Further to consultations in April 2023 and December 2024 MHCLG wrote to finance directors in England in February 2025 regarding the statutory override on accounting for gains and losses in pooled investment funds. On the assumption that when published regulations follow this policy announcement, the statutory override will be extended up until the 1st April 2029 for investments already in place before 1st April 2024. The override will not apply to any new investments taken out on or after 1st April 2024. Currently the Council does not hold any type of pooled investment funds.

ESG policy: Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council's strategy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

Non-Treasury Investments

The definition of investments in the Treasury Management Code now covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).

Investment Guidance issued by the Ministry of Housing, Communities and Local Government (MHCLG) and Welsh Government also includes within the definition of investments all such assets held partially or wholly for financial return.

The Council also held £13.3m of such investments in

- Loans to Rykneld Homes Ltd £6.3m
- Loans to Mypad Ltd £7.0

The Council held £23.2m of investments made for commercial purposes

- Directly owned property £23.2m

These investments generated £0.564m of investment income for the Council after taking account of direct costs, representing a rate of return of 2.43% as at 31 March 2025.

Treasury Performance

The Council measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates, as shown in table 6 below.

Table 6: Performance

	Actual £m	Budget £m	Over/ under	Actual %	Benchmark %	Over/ under
PWLB Borrowing	161.3	157.0	Over	3.71	4.86	Under
Total borrowing	161.3	157.0	Over	3.71	4.86	Under
Total debt	161.3	157.0	Over	3.71	4.86	Under
Investments (see table 4)	12.0	10.0	Over	4.77	4.50	Over
Total treasury investments	12.0	10.0	Over	4.77	4.50	Over

MRP Regulations

On 10th April 2024 amended legislation and revised statutory guidance were published on Minimum Revenue Provision (MRP). The majority of the changes take effect from the 2025/26 financial year, although there is a requirement that for capital loans given on or after 7th May 2024 sufficient MRP must be charged so that the outstanding CFR in respect of the loan is no higher than the principal outstanding less the Expected Credit Loss (ECL) charge for that loan.

The regulations also require that local authorities cannot exclude any amount of their CFR from their MRP calculation unless by an exception set out in law. Capital receipts cannot be used to directly replace, in whole or part, the prudent charge to revenue for MRP (there are specific exceptions for capital loans and leased assets).

Compliance

The S151 Officer reports that all treasury management activities undertaken during the quarter complied fully with the principles in the Treasury Management Code and the Council’s approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 7 below.

Table 7: Investment Limits

	2024/25 Maximum per counterparty	31.3.25 Actual	2024/25 Limit	Complied?
The UK Government	Unlimited	£0m	n/a	Yes
Local authorities & other government entities	£5m	£0m	Unlimited	Yes
Secured investments	£5m	£0m	Unlimited	Yes
Banks (unsecured)	£5m	£0m	Unlimited	Yes
Building societies (unsecured)	£5m	£0m	£20m	Yes
Registered providers (unsecured)	£5m	£0m	£20m	Yes
Money market funds	£5m	£12m	Unlimited	Yes
Strategic pooled funds	£5m	£0m	£20m	Yes
Real Estate Investment Trusts	£5m	£0m	£20m	Yes
Other investments	£5m	£0m	£20m	Yes

Compliance with the Authorised Limit and Operational Boundary for external debt is demonstrated in table 8 below.

Table 8: Debt and the Authorised Limit and Operational Boundary

	2024/25 Maximum £m	31.3.25 Actual £m	2024/25 Operational Boundary £m	2024/25 Authorised Limit £m	Complied?
Borrowing	229.2	161.3	234.2	238.4	Yes
Total debt	**229.2**	**161.3**	**234.2**	**238.4**	Yes

Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

Treasury Management Indicators

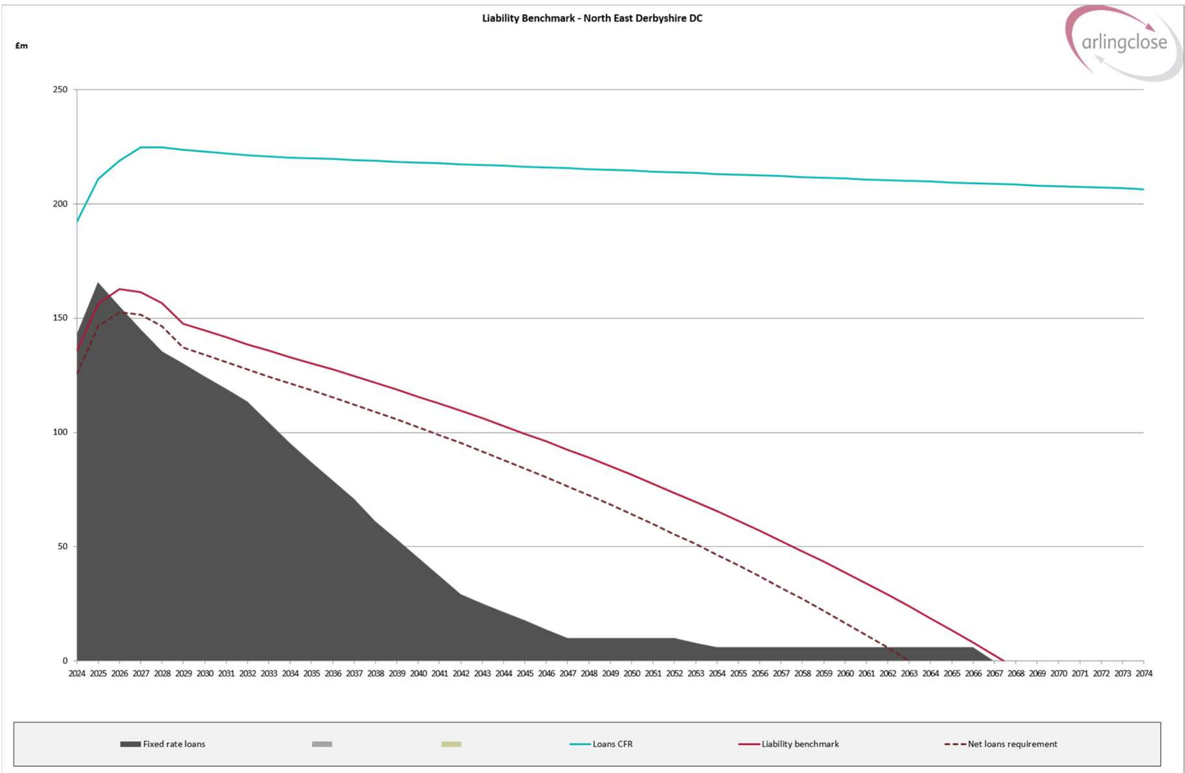
As required by the 2021 CIPFA Treasury Management Code, the Council monitors and measures the following treasury management prudential indicators.

1. Liability Benchmark**:**

This new indicator compares the Council’s actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. It represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level of £10m required to manage day-to-day cash flow.

	31.3.24 Actual	31.3.25 Actual	31.3.26 Forecast	31.3.27 Forecast
Loans CFR	199.0	199.4	210.8	213.6
Less: Balance sheet resources	(70.2)	(50.1)	(42.3)	(38.5)
Net loans requirement	**128.8**	**149.3**	**168.5**	**175.1**
Plus: Liquidity allowance	10.0	10.0	10.0	10.0
Liability benchmark	**138.8**	**159.3**	**178.5**	**185.1**
Existing borrowing	**142.8**	**161.3**	**168.5**	**175.1**

Following on from the medium-term forecast above, the long-term liability benchmark assumes capital expenditure funded by borrowing of £22.3m in 2024/25, minimum revenue provision on new capital expenditure based on a 50-year asset life. This is shown in the chart below together with the maturity profile of the Council's existing borrowing.



Whilst borrowing may be above the liability benchmark, strategies involving borrowing which is significantly above the liability benchmark carry higher risk.

2. Maturity Structure of Borrowing: This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

	Upper Limit	Lower Limit	31.3.25 Actual	Complied?
Under 12 months	20%	0%	6.08%	Yes
12 months and within 24 months	20%	0%	7.38%	Yes
24 months and within 5 years	40%	0%	10.34%	Yes
5 years and within 10 years	40%	0%	22.21%	Yes
10 years and above	90%	0%	53.99%	Yes

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

3. Long-term Treasury Management Investments: The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management limits are:

	2024/25	2025/26	2026/27	No fixed date
Limit on principal invested beyond year end	£20m	£20m	£20m	£20m
Actual principal invested beyond year end	£0m	£0m	£0m	£0m
Complied?	Yes	Yes	Yes	Yes

Long-term investments with no fixed maturity date include strategic pooled funds, real estate investment trusts and directly held equity but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

Additional indicators

Security: The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	2024/25 Target	31.3.25 Actual	Complied?
Portfolio average credit rating	<3.0	1.0	Yes

Liquidity**:** The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing / it can borrow each period without giving prior notice.

	31.3.25 Actual £m	**2024/25 Target £m**	**Complied?**
Total cash available within 3 months	12.0	10.0	Yes

Interest Rate Exposures: This indicator is set to control the Council's exposure to interest rate risk. Bank Rate fell by 0.75% on 1 April 2024 to 4.50% by 31 March 2025.

Interest rate risk indicator	**2024/25 Target**	**31.3.25 Actual**	**Complied**
Upper limit on one-year revenue impact of a 1% rise in interest rates	£1.5m	£0.0m	Yes
Upper limit on one-year revenue impact of a 1% fall in interest rates	£1.5m	£0.0m	Yes

For context, the changes in interest rates during the quarter were:

	31/3/24	31/3/25
Bank Rate	5.25%	4.50%
1-year PWLB certainty rate, maturity loans	5.36%	4.82%
5-year PWLB certainty rate, maturity loans	4.68%	4.97%
10-year PWLB certainty rate, maturity loans	4.74%	5.42%
20-year PWLB certainty rate, maturity loans	5.18%	5.91%
50-year PWLB certainty rate, maturity loans	5.01%	5.67%

The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at new market rates.

Prudential Indicators Outturn 2024/25

The Council measures and manages its capital expenditure, borrowing and commercial and service investments with references to the following indicators.

It is now a requirement of the CIPFA Prudential Code that these are reported on a quarterly basis.

Capital Expenditure:

The Council has undertaken and is planning capital expenditure as summarised below.

	2023/24 actual £m	**2024/25 actual £m**	**2025/26 budget * £m**	**2026/27 budget £m**
General Fund services	£15.429	£20.073.	£8.084	£2.004
Council housing (HRA)	£30.387	£33.658	£28.221	£24.717
Capital investments	£0.000	£0.000	£0.000	£0.000
Total	**£45.816**	**£53.731**	**£36.305**	**£26.721**

* £0m of capital expenditure in arises from a change in the accounting for leases and does not represent cash expenditure.

The main General Fund capital projects to date have included Refurbishment of Mill Lane Project, General Asset Refurbishment, Dronfield Sports Centre Carbon Efficiencies Programme, Vehicle Replacement, UK Shared Prosperity Fund, Clay Cross Towns Fund Projects, and the rebuilding of Sharley Park Active Community Hub. HRA capital expenditure is recorded separately and to date includes capital works on Council Dwellings, North Wingfield New Build Project, Stonebroom Regeneration Project and a Stock Purchase Programme.

Capital Financing Requirement:

The Council’s cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP/loans fund repayments and capital receipts used to replace debt.

	31.3.2024 actual £m	31.3.2025 actual £m	31.3.2026 budget * £m	31.3.2027 budget £m
General Fund services	£25.566	£35.173	£35.931	£31.745
Council housing (HRA)	£177.291	£164.191	£198.325	£205.320
Capital investments	£0.000	£0.000	£0.000	£0.000
TOTAL CFR	**£202.857**	**£199.364**	**£234.256**	**£237.065**

* £0.815m of the CFR increase in 2025/26 arises from a change in the accounting for leases

Gross Debt and the Capital Financing Requirement:

Statutory guidance is that debt should remain below the capital financing requirement, except in the short term. The Council has complied and expects to continue to comply with this requirement in the medium term as is shown below.

	31.3.2024 actual £m	31.3.2025 actual £m	31.3.2026 budget £m	31.3.2027 budget £m	Debt at 31.3.2025 £m
Debt (incl. PFI & leases)	£142.809	£161.301	£168.500	£175.103	£161.300
Capital Financing Requirement	£202.857	£199.364	£234.256	£237.065	

Debt and the Authorised Limit and Operational Boundary:

The Council is legally obliged to set an affordable borrowing limit (also termed the Authorised Limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

	Maximum debt 2024/25 £m	Debt at 31.3.25 £m	2024/25 Authorised Limit £m	2024/25 Operational Boundary £m	Complied?
Borrowing	£199.364	£161.300	£238.400	£234.200	Yes
Total debt	**£199.364**	**£161.300**	**£238.400**	**£234.200**	Yes

Since the operational boundary is a management tool for in-year monitoring it is not significant if the boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

Net Income from Commercial and Service Investments to Net Revenue Stream:

The Council's income from commercial and service investments as a proportion of its net revenue stream has been and is expected to be as indicated below.

	2023/24 actual £m	**2024/25 actual £m**	**2025/26 budget £m**	**2026/27 budget £m**
Total net income from service and commercial investments	1.203	1.212	1.025	0.811
Proportion of net revenue stream	7.57%	7.20%	5.50%	4.22%

Proportion of Financing Costs to Net Revenue Stream:

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue.

The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

	2023/24 actual	**2024/25 actual**	**2025/26 budget ***	**2026/27 budget**
Financing costs (£m)	(0.8)	(1.2)	0.6	0.8
Proportion of net revenue stream	(4.98%)	(7.43%)	3.08%	4.23%

* £0m of the increase in financing costs in 2025/26 arises from a change in the accounting for leases and does not represent additional cost to the Council.

Treasury Management Indicators:

These indicators (Liability Benchmark, Maturity Structure of Borrowing, Long-Term Treasury Management Investments) are within the Appendix 1 Treasury Management Outturn 2024/25.