



# Borough of Telford and Wrekin

## Full Council

13 November 2025

### Treasury Management - 2024/25 Annual Report and 2025/26 Update

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|---------------------------------|----------------------------------------------------------------------|
| <b>Cabinet Member:</b>          | Cllr Zona Hannington - Cabinet Member: Finance & Governance          |
| <b>Lead Director:</b>           | Michelle Brockway - Director: Finance, People and IDT                |
| <b>Service Area:</b>            | Finance, People and IDT                                              |
| <b>Report Author:</b>           | Edward Rushton - Group Accountant                                    |
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| <b>Wards Affected:</b>          | All Wards                                                            |
| <b>Key Decision:</b>            | Not Key Decision                                                     |
| <b>Forward Plan:</b>            | Not applicable                                                       |
| <b>Report considered by:</b>    | Audit Committee – 16 July 2025<br>Full Council – 13 November 2025    |

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#### 1.0 Recommendations for decision/noting:

Full Council is recommended to:-

- 1.1 Note the contents of the report;
- 1.2 Note the performance against Prudential Indicators.

#### 2.0 Purpose of Report

- 2.1 This report updates members on the outcome of Treasury Management activities for 2024/25 and details the position for 2025/26 to 31 May 2025.

#### 3.0 Background

- 3.1 This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of 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 reporting requirements were that the full Council should receive the following reports:
- an annual treasury strategy in advance of the year
  - a mid-year, treasury update report
  - an annual review following the end of the year describing the activity compared to the strategy, (this report)
- 3.3 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, 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 report confirms that the Council has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Audit Committee before they were reported to the full Council. Member training on treasury management issues was provided on 29 January 2025 in order to support members' scrutiny role.
- 3.5 The Council has procured MUFG Corporate Markets (MUFG) at its external Treasury Management advisor. Guidance is sought from MUFG prior to any investment or long-term borrowing decision.

## **4.0 Summary of main proposals**

### **4.1 2024/25 Annual Treasury Management Report**

The 2024/25 Treasury Strategy was approved by Full Council on 29 February 2024 after being recommended for approval by this Committee on 27 January 2024.

The 2024/25 Annual Report is included in Appendix A.

During 2024/25, 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**

|                                    | <b>31.3.24<br/>Actual<br/>(£'000)</b> | <b>2024/25<br/>Original<br/>(£'000)</b> | <b>31.3.25<br/>Actual<br/>(£'000)</b> |
|------------------------------------|---------------------------------------|-----------------------------------------|---------------------------------------|
| Capital Expenditure                |                                       |                                         |                                       |
| • Total                            | 83,485                                | 179,758                                 | 87,173                                |
| Capital Financing Requirement:     |                                       |                                         |                                       |
| • Total                            | 555,727                               | 671,600                                 | 604,910                               |
| • Less Other Long-Term Liabilities | (44,547)                              | (41,200)                                | (41,170)                              |
| • Loans CFR                        | 511,180                               | 630,400                                 | 563,740                               |
| Gross borrowing                    |                                       |                                         |                                       |
| • External Debt                    | 371,324                               | 493,700                                 | 434,903                               |
| Treasury Investments               |                                       |                                         |                                       |
| • Longer than 1 year               | 0                                     | 0                                       | 0                                     |
| • Under 1 year                     | 17,868                                | 15,000                                  | 22,062                                |
| • Total                            | 17,868                                | 15,000                                  | 22,062                                |
| Net borrowing                      |                                       |                                         |                                       |
| • Total                            | 353,456                               | 478,700                                 | 412,841                               |
| Borrowing Limits (Debt)            |                                       |                                         |                                       |
| • Authorised Limit                 | 655,000                               | 655,000                                 | 655,000                               |
| • Operational Boundary             | 635,000                               | 635,000                                 | 635,000                               |

Borrowing can only be undertaken to fund capital investment and not to support the revenue budget which supports the delivery of most Council services. The total value of assets (exc. Infrastructure Assets such as Highways, footpaths, bridges etc and non NuPlace Ltd Long-Term Debtors) held by the Council at 31 March 2025 was £663.4m some £228.5m greater than debt outstanding. (In addition to this, the Council's infrastructure assets are valued at over £239.8m).

**Capital Expenditure and Financing**

The Council undertakes capital expenditure on long-term assets. The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

| <b>Capital Expenditure (£'000)</b>               | <b>31.3.24<br/>Actual</b> | <b>2024/25<br/>Original</b> | <b>31.3.25<br/>Actual</b> |
|--------------------------------------------------|---------------------------|-----------------------------|---------------------------|
| General Fund Service                             | 65,748                    | 105,865                     | 39,769                    |
| Housing Investment Programme (NuPlace Ltd)       | 9,073                     | 40,700                      | 26,722                    |
| Property Investment Portfolio                    | 7,038                     | 31,421                      | 18,251                    |
| Telford Land Deal                                | 1,626                     | 1,812                       | 2,431                     |
| <b>Capital Programme Expenditure</b>             | <b>83,485</b>             | <b>179,788</b>              | <b>87,173</b>             |
| Financed in year from Government Grants, Capital | 45,118                    | 61,925                      | 42,918                    |

| Capital Expenditure (£'000)                             | 31.3.24<br>Actual | 2024/25<br>Original | 31.3.25<br>Actual |
|---------------------------------------------------------|-------------------|---------------------|-------------------|
| Receipts, Revenue<br>Contribution & External<br>sources |                   |                     |                   |
| <b>Unfinanced capital<br/>expenditure (Borrowing)</b>   | <b>38,367</b>     | <b>117,863</b>      | <b>44,255</b>     |

### Underlying Need to Borrow

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 and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

|                                               | 31.3.24<br>Actual | 2024/25<br>Original | 31.3.25<br>Actual |
|-----------------------------------------------|-------------------|---------------------|-------------------|
| General Funded Service                        | 416,316           | 456,459             | 443,069           |
| Housing Investment<br>Programme (NuPlace Ltd) | 71,070            | 115,026             | 93,110            |
| Property Investment Portfolio                 | 64,541            | 96,315              | 64,931            |
| Solar Farm                                    | 3,800             | 3,800               | 3,800             |
| <b>Closing balance</b>                        | <b>555,727</b>    | <b>671,600</b>      | <b>604,910</b>    |
| Less Other Long Term<br>Liabilities           | (44,547)          | (41,200)            | (41,170)          |
| <b>Loans CFR</b>                              | <b>511,180</b>    | <b>630,400</b>      | <b>563,740</b>    |

In 2024/25 the level of Council borrowing was below its CFR. This was due to positive cash flow arising from Council's reserves and balances being available to support the treasury position. In 2024/25 itself, cashflow benefits reduced and new borrowing was entered into.

**The authorised limit** - the authorised limit is the "affordable borrowing limit" required by section 3 of the Local Government Act 2003.

**The operational boundary** – the operational boundary is the expected borrowing position of the Council during the year.

|                                                  | 2024/25 |
|--------------------------------------------------|---------|
| Maximum gross borrowing position during the year | 426,508 |
| Authorised limit (Borrowing)                     | 655,000 |
| Operational boundary (Borrowing)                 | 635,000 |

## 4.2 Borrowing Strategy & Outturn

The borrowing strategy for 2024/25 was to –

- borrow temporarily on a short term basis as determined by cash flow,

- to take advantage of interest rates where possible to lock into medium and long-term borrowing, and
- to review opportunities for new longer term borrowing as appropriate.

During 2024/25, an under-borrowed position was maintained. This meant that the CFR was not fully funded with loan debt as cash supporting reserves, balances and cash flow were used as an interim measure. This strategy was prudent as although near-term investment rates were equal to, and sometimes higher than, long-term borrowing costs, the latter are expected to fall back through 2025 and 2026 in the light of economic growth concerns and the eventual dampening of inflation.

During the year 6 new PWLB loans were raised totalling £55.0m and maturities of PWLB loans totalled £47.9m. A further £270.0m of temporary loans, through the Local-to-Local Market, were raised, renewed or replaced.

During the year 1 Lender Option Borrower Option (LOBO) Loan was 'called' and the option was taken to repay the loan.

The debt portfolio at 31 March 2025 was as follows -

|                   | <b>31.3.24<br/>Principal</b> | <b>Interest<br/>Rate</b> | <b>31.3.25<br/>Principal</b> | <b>Interest<br/>Rate</b> | <b>Movement<br/>in<br/>Principal</b> |
|-------------------|------------------------------|--------------------------|------------------------------|--------------------------|--------------------------------------|
|                   | <b>(£'000)</b>               | <b>%</b>                 | <b>(£'000)</b>               | <b>%</b>                 | <b>(£'000)</b>                       |
| PWLB              | 244,549                      | 2.65                     | 251,693                      | 3.13                     | 7,144                                |
| Municipal Loans   | 246                          | 2.10                     | 178                          | 2.10                     | (68)                                 |
| Market Loans      | 40,000                       | 4.17                     | 35,000                       | 4.15                     | (5,000)                              |
| Temporary Loans   | 86,529                       | 4.68                     | 148,032                      | 5.13                     | 61,503                               |
| <b>Total Debt</b> | <b>371,324</b>               | <b>3.39</b>              | <b>434,903</b>               | <b>3.85</b>              | <b>63,579</b>                        |

### 4.3 Investment Strategy

The investment strategy for 2024/25 was primarily to ensure security of capital and liquidity balanced with delivering a commensurate rate of return.

Surplus cash balances were invested in the H.M. Treasury

The average return on investments for the year was 4.91% slightly higher than the the bench mark, average SONIA rate, of 4.90%.

Temporary investments (excluding NuPlace share capital) were £22.1m at 31 March 2025, an increase of £4.2m compared to 31<sup>st</sup> March 2024.

The Treasury investment portfolio at 31 March 2025 was as follows -

|                                   | <b>31.3.24<br/>Actual<br/>(£'000)</b> | <b>31.3.24<br/>Actual Split<br/>%</b> | <b>31.3.25<br/>Actual<br/>(£'000)</b> | <b>31.3.25<br/>Actual Split<br/>%</b> |
|-----------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| Banks (inc. cash in transit)      | 3,188                                 | 17.8                                  | 3,482                                 | 15.7                                  |
| DMADF (H M Treasury)              | 9,700                                 | 54.3                                  | 13,600                                | 62.6                                  |
| Money Market Funds                | 4,980                                 | 27.9                                  | 4,980                                 | 22.6                                  |
| <b>Total managed in house</b>     | <b>17,868</b>                         | <b>100.0</b>                          | <b>22,062</b>                         | <b>100.0</b>                          |
| <b>Total managed externally</b>   | <b>0</b>                              | <b>0.0</b>                            | <b>0</b>                              | <b>0.0</b>                            |
| <b>Total Treasury Investments</b> | <b>17,868</b>                         | <b>100.0</b>                          | <b>22,062</b>                         | <b>100.0</b>                          |

#### 4.4 Overall Outturn

The Council continued to face significant financial pressure in 2024/25 the impact of the cost of living crisis continued to increase the cost of providing and the demand for services. The Bank of England has implemented a cut-hold-cut-hold pattern throughout 2024/25 with Bank Rate reductions of 0.25% occurring in August, November and February, bringing the headline rate down from 5.25% to 4.5%. UK inflation has proved somewhat stubborn throughout 2024/25. Having started the financial year at 2.3% (April), the CPI measure of inflation briefly dipped to 1.7% in September before picking up pace again in the latter months.

A net benefit of £1.084m was made against the Treasury budget for the year. The sound overall position has resulted from a mix of cash flow benefits plus the re-profiling of capital spend into future years.

#### 4.5 2025/26 Treasury Management Update

The 2025/26 Treasury Strategy was approved by Full Council on 27 February 2025 after being recommended for approval by this Committee on 29 January 2025.

The 2025/26 Treasury Management Update Report is included in Appendix B.

The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

|                                    | <b>31.3.25<br/>Actual<br/>(£'000)</b> | <b>2025/26<br/>Original<br/>(£'000)</b> | <b>31.3.26<br/>Projection at<br/>31.5.25<br/>(£'000)</b> |
|------------------------------------|---------------------------------------|-----------------------------------------|----------------------------------------------------------|
| Capital expenditure                |                                       |                                         |                                                          |
| • Total                            | 87,173                                | 151,563                                 | 138,561                                                  |
| Capital Financing Requirement:     |                                       |                                         |                                                          |
| • Total                            | 604,910                               | 670,577                                 | 666,981                                                  |
| • Less Other Long Term Liabilities | (41,170)                              | (38,457)                                | (38,457)                                                 |
| • <b>Loans CFR</b>                 | <b>563,740</b>                        | <b>632,120</b>                          | <b>628,524</b>                                           |

|                      | <b>31.3.25<br/>Actual<br/>(£'000)</b> | <b>2025/26<br/>Original<br/>(£'000)</b> | <b>31.3.26<br/>Projection at<br/>31.5.25<br/>(£'000)</b> |
|----------------------|---------------------------------------|-----------------------------------------|----------------------------------------------------------|
| Gross Borrowing      |                                       |                                         |                                                          |
| • External Debt      | 434,903                               | 502,877                                 | 501,439                                                  |
| Investments          |                                       |                                         |                                                          |
| • Longer than 1 year | 0                                     | 0                                       | 0                                                        |
| • Under 1 year       | 22,062                                | 15,000                                  | 15,000                                                   |
| • <b>Total</b>       | <b>22,062</b>                         | <b>15,000</b>                           | <b>15,000</b>                                            |
| Net borrowing        |                                       |                                         |                                                          |
| • Total              | 412,841                               | 487,877                                 | 486,439                                                  |

Treasury Management Activity for 2025/26 remains consistent with that outlined in the 2025/26 Treasury Management Strategy.

#### 4.6 **Borrowing**

New borrowing will be required during the year, in line with the approved capital programme. When entering into new borrowing, consideration will be given to the maturity profile of current debt, interest rates and refinancing risks as well as the source, which is expected to be a mix of temporary loans and long term loans obtained from the Public Works Loans Board.

The Bank of England has continued with its cut and hold pattern during the first quarter of 2025/26. The Bank Rate was reduced by 0.25% (to 4.25%) in May, the first meeting of the 2025/26 financial year after holding the rate at 4.5% in March. The rate was held again at the most recent meeting in June. The medium and long-term forecast is for interests to gradually reduce therefore short-term borrowing has been entered into to manage cash flow requirements.

As at 31 May 2025 –

- £30.0m of outstanding temporary loans had been repaid on maturity and £14.0m of new temporary loans had been raised.
- 2 new PWLB loans had been raised totalling £15.0m and £2.9m of loans had been repaid. In total £40.0m of PWLB Loans are due to mature during the year.

#### 4.7 **Investments**

Upto and including 31 May 2025, surplus cash flows have continued to be invested in H.M Treasury's Debt Management Account Deposit Fund and Money Market Funds. The use of these counterparties allows cash surpluses to be invested securely whilst still allowing access to funds, thus complying with the approved strategy.

Investment opportunities will be reviewed as they arise and we will seek to gain maximum benefit within the agreed risk parameters i.e. considering security and liquidity ahead of investment returns.

The Council does not currently hold any long term investments. This strategy reduces counter-party risk and also reduces net interest costs as longer-term borrowing costs tend to be greater than we are able to earn on new investments.

## **5.0 Alternative Options**

5.1 The Council must ensure that it manages its finance in accordance with legislation and the CIPFA Code of Practice. The recommendations in this report support that aim and are based on consideration of a range of factors.

## **6.0 Key Risks**

6.1 The key opportunities and risks associated with treasury management activities are set out in the body of the report and in the Treasury Management Strategy and Policy approved by Council and will be regularly monitored throughout the year.

## **7.0 Council Priorities**

7.1 Effective management of the Council's Treasury portfolio helps support the Council's overall financial position through minimising borrowing costs and optimising investment income whilst following the principles of Security, Liquidity and Yield; and therefore supports the delivery of all Council priorities.

## **8.0 Financial Implications**

8.1 These are detailed in the body of the report and appendices.

## **9.0 Legal and HR Implications**

9.1 The Section 151 Officer has responsibility for the administration of the financial affairs of the Council. In providing this report, the Section 151 Officer is meeting one of the responsibilities of the post contained within the Council's Constitution namely, "The Chief Financial Officer will contribute to the promotion and maintenance of high standards of governance, audit, probity and propriety, risk management and the approval of the statement of accounts through provision of support to the Audit Committee.

## **10.0 Ward Implications**

10.1 There are no impacts on specific wards in this report.

## **11.0 Health, Social and Economic Implications**

11.1 The Economic Climate has direct relevance to Treasury Management and is covered in detail in the report and accompanying appendices.

## **12.0 Equality and Diversity Implications**

12.1 The Council will not knowingly directly invest in organisations whose activities include practices which directly pose a risk of serious harm to individuals or groups,



or whose activities are inconsistent with the values of the Council. At the same time the Council will take full responsibility for proper management of risk and safeguarding its investments by ensuring that they are diversified and made with organisations that are suitably credit assessed.

### **13.0 Climate Change and Environmental Implications**

- 13.1 Part of the Councils Treasury portfolio includes a Municipal Investment Loan on the Abundance Platform: the Telford & Wrekin Climate Action Investment which supports the Councils climate change agenda.

### **14.0 Background Papers**

- 1 2024/25 Treasury Management Strategy
- 2 2024/25 Prudential Indicators Report
- 3 2024/25 Treasury Update Report and 2025/26 Treasury Management Strategy
- 4 2025/26 Prudential Indicators Report

### **15.0 Appendices**

- A Treasury Management Annual Report 2024/25
- B Treasury Management update 2025/26

### **16.0 Report Sign Off**

| <b>Signed off by</b> | <b>Date sent</b> | <b>Date signed off</b> | <b>Initials</b> |
|----------------------|------------------|------------------------|-----------------|
| Finance              | 04/07/2025       | 04/07/2025             | ER              |
| Legal                | 08/07/2025       | 08/07/2025             | RP              |
| Director             | 05/07/2025       | 07/07/2025             | MB              |