

**Committee and Date**Cabinet
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Item

Public



Annual Treasury Report 2024/25

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Cabinet Member (Portfolio Holder):	Roger Evans, Portfolio Holder - Finance		

1. Synopsis

During 2024/25 the Council achieved all required targets for managing its financing arrangements, including day to day cashflow, short term investments and longer-term borrowings. Investment income of £1.956m was secured.

2. Executive Summary

- 2.1. 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 comparison to the target set in the Treasury Strategy, are detailed in Appendix C.
- 2.2. The returns on investment were marginally short of the benchmark (-0.03%), achieving a return of 4.87%. This was partly due to the need to borrow short term cash for cash flow purposes during the year from other authorities. Also, as cash balances held are lower than in previous years, the Council needs to ensure cash balances are highly liquid, resulting in lower interest rates on short term deals. Whilst returns on investment are important, as we strive to achieve the best investment we can, the Council's priority is always to ensure security of funds and ensure we hold sufficient liquid balances. This will often mean that we cannot secure the higher rate investments as these are offered to longer term deals.
- 2.3. Treasury activities during the year have been within approved prudential and treasury indicators set and have complied with the Treasury Strategy.

3. Recommendations

Members are recommended to:

- 3.1. Approve the actual 2024/25 prudential and treasury indicators in this report.
- 3.2. Note the annual treasury management report for 2024/25

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4. Risk Assessment and Opportunities Appraisal

- 4.1. Compliance with the CIPFA Code of Practice on Treasury Management, the Council's Treasury Policy Statement and Treasury Management Practices and the Prudential Code for Capital Finance together with the rigorous internal controls will enable the Council to manage the risk associated with Treasury Management activities and the potential for financial loss.

5. Financial Implications

- 5.1. Shropshire Council continues to manage unprecedented financial demands as budgeted for within the Medium Term Financial Strategy approved by Council on 27 February 2025 and subsequent updates. It is also addressed in our monitoring position presented to Cabinet on a monthly basis. Significant management action has and continues to be undertaken to ensure the Council's financial survival. While all reports provide the financial implications of decisions being taken, this may change as officers review the overall financial situation and make decisions aligned to financial survivability. Where non-essential spend is identified within the Council, this will be reduced. This may involve
 - scaling down initiatives,
 - changing the scope,
 - delaying implementation, or
 - extending delivery timescales.
- 5.2. The Council makes assumptions about the levels of borrowing and investment income over the financial year. Reduced borrowing because of capital receipt generation or delays in delivery of the capital programme will both have a positive impact of the council's cash position. Similarly, higher than benchmarked returns on available cash will also help the Council's financial position. For monitoring purposes, assumptions are made early in year about borrowing and returns based on the strategies agreed by Council in the preceding February. Performance outside of these assumptions results in increased or reduced income for the Council.
- 5.3. The 2024/25 performance is marginally below the benchmark for the reasons outlined in paragraph 2.2 of this report and has delivered income of £1.956 million which has been reflected in the Financial Outturn report for 2024/25.

6. Climate Change Appraisal

- 6.1. The Council's Financial Strategy includes proposals to deliver a reduced carbon footprint for the Council therefore the Treasury Team is working with the Council to achieve this. There are no climate change impacts arising from this report. Shropshire Council's investment portfolio has no level 1, 2 or 3 emissions. It comprises of straightforward cash deposits with financial institutions and other Local Authorities.

7. Background

- 7.1. The 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).
- 7.2. 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
 - a mid-year treasury update report
 - an annual review following the end of the year describing the activity compared to the strategy, (this report)
- 7.3. In addition, Cabinet has received quarterly treasury management update reports during the year.
- 7.4. 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.
- 7.5. The Council has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by Cabinet before they were reported to the full Council.
- 7.6. The Council's treasury management debt and investment position is organised by the finance team 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. Assurance on liquidity is taken from detailed cashflow planning which is amended day by day and reviewed to identify issues and address them. Cash flow plans extend out 24 months. Day to day cash flow plans inform short term investment and borrowing planning, as well as supporting the planning for longer term investments and borrowings.

8. Borrowing Strategy and Outturn for 2024/25

- 8.1. The Council's Borrowing Strategy and Outturn position for 2024/25 can be found in Appendix A.

9. Investment Strategy and Outturn for 2024/25

- 9.1. The Council's Investment Strategy and Outturn position for 2024/25 can be found in Appendix B.

10. Compliance with Treasury Limits and Prudential Indicators

- 10.1. Compliance with the Council's Treasury Limits and Prudential Indicators can be found in Appendix C.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Treasury Strategy 2024/25 – Council, 29 February 2024

Treasury Management Update Quarter 1 2024/25 – Cabinet, 11 September 2024

Treasury Management Update Quarter 2 2024/25 – Cabinet, 4 December 2024

Treasury Strategy 2024/25 Mid-Year Review – Cabinet, 4th December 2024

Treasury Management Update Quarter 3 2024/25 – Cabinet, 12 February 2025

Treasury Management Update Quarter 4 2024/25 – Cabinet, 11 June 2025

Local Member: All

Appendices [Please list the titles of Appendices]

Appendix A - Borrowing Strategy and Outturn 2024/25

Appendix B - Investment Strategy and Outturn 2024/25

Appendix C – Prudential Indicators 2024/25