

APPENDIX B - INVESTMENT STRATEGY AND OUTTURN 2024/25

Investment Strategy 2024/25

When the Treasury Strategy was approved in March 2024, our treasury advisor had predicted that the Bank rate would decrease during 2024/25 as the inflation rate reduced in the economy. The below forecast table was included in the Treasury Strategy report 2024/25.

UK Interest Rate Forecast

Link Group Interest Rate View 08.01.24													
	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

In 2024/25 investment of surplus cash continued to be managed by the finance team. The investment priorities are the security of capital and the liquidity of its investments. The Council also aims to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. Investments are made in line with the Council's policy on creditworthiness which was approved in the Annual Investment Strategy.

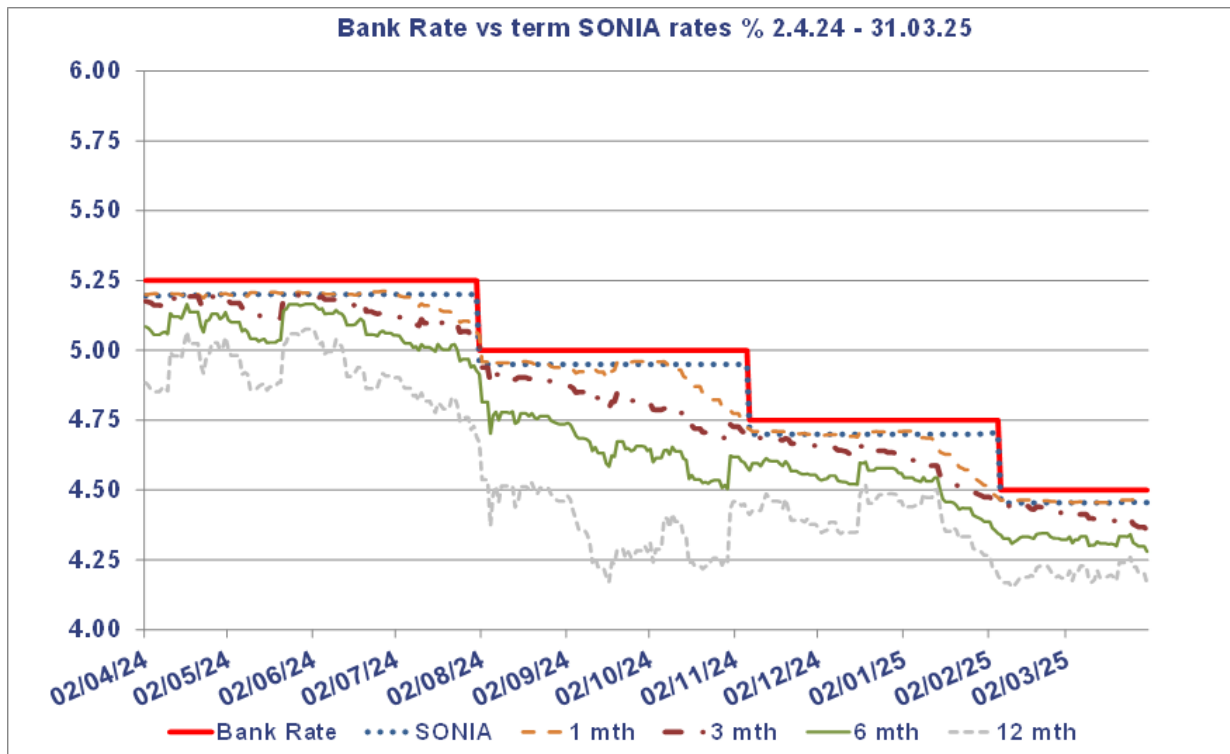
Investment Outturn 2024/25

Investment returns remained robust throughout 2024/25 with Bank Rate reducing steadily through the course of the financial year (three 0.25% rate cuts in total), and even at the end of March the yield curve was still relatively flat, which might be considered unusual as further Bank Rate cuts were expected in 2025/26.

Bank Rate reductions of 0.25% occurred in August, November and February, bringing the headline rate down from 5.25% to 4.5%. Each of the Bank Rate cuts occurred in the same month as the Bank of England publishes its Quarterly Monetary Policy Report, therein providing a clarity over the timing of potential future rate cuts.

As of early April 2025, market sentiment has been heavily influenced of late by President Trump's wide-ranging trade tariffs policy. Commentators anticipate a growing risk of a US recession, whilst UK GDP is projected by the Office for Budget Responsibility to remain tepid, perhaps achieving 1% GDP growth in 2025/26.

Movements in short term rates through the year are shown in the graph below.



At 31 March 2025 the allocation of the cash portfolio was as follows:

Maturity Date	£m
Under 1 month	50.6
1-3 months	0
3-6 months	0
6-9 months	0
9-12 months	0
TOTAL	50.6

The average return on cash investments for the internal treasury team during the year was a return of 4.87%. Recognising the need to manage short term cash flow requirements, the target for the internal team is the Overnight SONIA rate (4.90%). Therefore, the internal finance team are marginally short of the benchmark by 0.03%, which reflects the fact that during the year, the team had to secure short term cash from other local authorities to manage cashflow.