

## **COUNCIL – 9 SEPTEMBER 2025**

# **TREASURY MANAGEMENT ANNUAL PERFORMANCE REPORT 2024/25**

**Report by the Executive Director of Resources & Section 151  
Officer**

## **RECOMMENDATION**

**Council is RECOMMENDED to note the council's treasury management activity and outcomes in 2024/25.**

## **Executive Summary**

1. Treasury management is defined as: "The management of the organisation's borrowing, investments and cash flows, including its banking, money market and capital market transactions, the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks."
2. The Chartered Institute of Public Finance and Accountancy's (CIPFA's) 'Code of Practice on Treasury Management 2021' requires that committee to which some treasury management responsibilities are delegated, will receive regular monitoring reports on treasury management activities and risks. This is the fourth and final update for the 2024/25 financial year and sets out the position at 31 March 2025.
3. Throughout this report, the performance for the 2024/25 financial year is measured against the budget agreed by Council in February 2024.
4. As at 31 March 2025, the council's outstanding debt totalled £272m and the average rate of interest paid on long-term debt during the year was 4.41%. The council launched its "green bond" in December 2024 with an aim to raise an initial £0.5m. No other external borrowing was raised during the year, whilst £3m of maturing Public Works Loan Board (PWLB), and £10m of LOBO<sup>1</sup> loans were repaid. The council's debt financing position for 2024/25 is shown in Annex 1. Annex 2 shows the long term debt that matured in 2024/25.
5. The [Treasury Management Strategy for 2024/25](#) agreed in February 2024 assumed an average base rate of 4.75%.

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<sup>1</sup> LOBO (Lender's Option/Borrower's Option) Loans are long-term loans which include a re-pricing option for the bank at predetermined intervals.

6. The average daily balance of temporary surplus cash invested in-house was expected to be £463m in 2024/25, with an average in-house return on new and existing deposits of 4.25%.
7. The council achieved an average in-house return of 4.86% on average cash balances of £460.916m, producing gross interest receivable of £22.398m. In relation to external funds, the return for the year was £4.763m, bringing total investment income to £27.161m. This compares to budgeted investment income of £19.242m, giving a net overachievement of £7.919m.
8. At 31 March 2025, the council's investment portfolio totalled £484.920m. This comprised £335.000m of fixed term deposits, £52.000m at short term notice in money market funds and £97.919m in pooled funds with a variable net asset value. Annex 4 provides an analysis of the investment portfolio at 31 March 2025.

## **Treasury Management Activity**

### **Debt Financing & Maturing Debt**

9. The strategy for long term borrowing agreed in February 2024 included the option to fund new or replacement borrowing up to the value of £232m through internal borrowing. The aim was to reduce the council's exposure to credit risk and reduce the long-term cost of carry (difference between borrowing costs and investment returns).
10. The council is able to borrow from the Public Works Loan Board (PWLB) or through the money markets. The strategy for 2024/25 assumed no new external borrowing during the year, with any increase in the capital financing requirement met through internal borrowing, as external borrowing rates were forecast to remain elevated for the year. The exception to this was new debt of £0.500m raised the community municipal investment known as the Oxfordshire Green Bond.
11. As at 31 March 2025, the authority had 42 PWLB loans totalling £241.383m, 5 LOBO loans totalling £25.000m and two money market loans totalling £5.500m. The average rate of interest paid on PWLB debt was 4.52% and the average cost of LOBO debt in 2024/25 was 3.91%. The cost of debt on the money market loans was 4.00%. The combined weighted average for interest paid on long-term debt was 4.39%. The council's debt portfolio as at 31 March 2025 is shown in Annex 1.
12. The council repaid £3m of maturing PWLB loans and £10m of LOBO loans during the year. The weighted average interest rate payable on the matured loans was 4.250%. The outturn for interest payable in 2024/25 was £12.23m. The details are set out in Annex 2.

### **Investment Strategy**

13. The council holds deposits and invested funds representing income received in advance of expenditure plus balances and reserves. The guidance on Local Government Investments in England gives priority to security and liquidity and the council's aim is to achieve a yield commensurate with these principles. The council continued to adopt a cautious approach to lending to financial institutions and continuously monitored credit quality information relating to counterparties.
14. During the first three quarters of the financial year term fixed deposits have been placed with other Local Authorities as per the approved lending list, whilst Money Market Funds have been utilised for short-term liquidity. Inter local authority lending remains an attractive market to deposit funds with from a security view point. The Government's Debt Management Deposit Facility (DMADF) has not been a competitive counterparty to deposit with, however the Council maintains access to this facility for times of financial uncertainty.
15. The Treasury Management Strategy Statement and Annual Investment Strategy for 2024/25 included the use of external fund managers and pooled funds to diversify the investment portfolio through the use of different investment instruments, investment in different markets, and exposure to a range of counterparties. It is expected that these funds should outperform the council's in-house investment performance over a rolling three-year period. The strategy permitted up to 50% of the total portfolio to be invested with external fund managers and pooled funds (excluding Money Market Funds). The performance of the pooled funds will continue to be monitored by the Treasury Management Strategy Team (TMST) throughout the year against respective benchmarks and the in-house portfolio.
16. At the start of the year the UK Bank Rate was 5.25% which was in line with the forecast. Reductions of 25bps in August, November and February reduced the rate to 4.50%, where it remained until the end of the financial year.

## **The Council's Lending List**

17. In-house cash balances are deposited with institutions that meet the council's approved credit rating criteria. The approved lending list, which sets out those institutions, is updated to reflect changes in bank and building society credit ratings. Changes are reported to Cabinet as part of the Business Management & Monitoring Report. The approved lending list may also be further restricted by officers, in response to changing conditions and perceived risk. There were no changes to the lending list during the third quarter of 2024/25.

## **Investment Performance**

18. Temporary surplus cash balances include: developer contributions; council reserves and balances; and various other funds to which the council pays interest at each financial year end. The budgeted annual return on these in-house balances for 2024/25 was 4.25% and assumed an average annual in-house cash balance of £361.622m.

19. The actual average daily balance of temporary surplus cash invested in-house was £460.916m for 2024/25 and the average in-house return was 4.86%, producing gross interest receivable of £22.398m. Gross distributions from pooled funds totalling £4.763m were also realised in the year, bringing total investment income to £27.161m. This compares to budgeted investment income of £19.242m, giving a net overachievement of £7.918m. This reflects a combination of higher than forecast average cash balances, and higher than forecast interest rates.
20. Cash balances for the year were lower than they otherwise would be as a result of negative Dedicated Schools Grant (DSG) balances relating to High Needs. The negative DSG balance by the end of 2024/25 was £92.5m. This created an estimated opportunity cost of £3.8m in unearned interest during 2024/25. The cumulative opportunity cost as a result of negative DSG balances since 2019/20 is now £10.42m.
21. The council operates a number of instant access call accounts and money market funds to deposit short-term cash surpluses. During 2024/25 the average balance held on instant access was £80.340m, at an average rate of 4.48%.
22. At 31 March 2025 the total value of pooled fund investments was £97.919m. Whilst this is a marginal increase compared to the value of £97.804 at 31 March 2024, it is a reduction of £2.344m compared to the recent high of £100.263m in February 2025. This reduction is due to global financial instability caused by the economic impact of changes to US import tariffs.
23. At 31 March 2025, the council's investment portfolio totalled £484.920m. This comprised £335.000m of fixed term deposits, £52.000m at short term notice in money market funds and £97.920m in pooled funds with a variable net asset value. Annex 4 provides an analysis of the investment portfolio at 31 March 2025.
24. The council's Treasury Management Strategy Team regularly monitors the risk profile of the council's investment portfolio. An analysis of the credit and maturity position of the portfolio at 31 March 2025 is included at Annex 4.

## **Prudential Indicators for Treasury Management**

25. During the financial year, the council operated within the treasury limits and Prudential Indicators set out in the council's Treasury Management Strategy for 2024/25. The outturn for the Prudential Indicators is shown in Annex 3.

## **Financial Implications**

26. This report is mostly concerned with finance and the implications are set out in the main body of the report.

Comments checked by:

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## **Legal Implications**

27. The budget is a non-executive function, however the Cabinet has a duty under the Local Government Act 2000 to monitor the budget and make any recommendations to Council as they think fit.
28. The statutory framework for the prudential financial system is set out in the Local Government Act 2003 and the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. These Regulations provide that the Council must have regard to CIPFA codes in managing its budget.
29. The report is in accordance with both the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council has a wide power to borrow under section 1 of the 2003 Act up to the affordable limit determined by the Council having regard to the CIPFA Code of Practice. The Council also has powers to invest under section 12 of the 2003 Act, subject to restrictions contained in the Local Authorities (Funds)(England) Regulations 1992.

Comments checked by:

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## **Staff Implications**

30. This report does not create any staffing implications.

## **Equality & Inclusion Implications**

31. There are no equality or inclusion implications arising from the report.

## **Sustainability Implications**

32. This report is not expected to have any negative impact with regards to the Council's zero carbon emissions commitment by 2030.
33. In December 2024, the council launched its first "green bond" to raise £0.5m funding to support the council's tree planting and decarbonisation projects.

## **Risk Management**

34. The purpose of treasury management is the management of the council's borrowing, investments and cash flows, including its banking, money market and

capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks". The Prudential Code.

35. Prudential indicators and credit criteria are agreed by Council each year as part of the Treasury Management Strategy.
36. The credit quality of institutions, changes in the interest rate forecast, cash flow, and prudential indicators are monitored throughout the year and reported monthly to the TMST and quarterly to the council's Audit & Governance Committee, Cabinet and Council.

LORNA BAXTER

Executive Director of Resources & Section 151 Officer

Annex:                      Annex 1 – Oxfordshire County Council Debt Profile as at  
31 March 2025

## Annex 2 – Long Term Debt Matured During 2024/25

## Annex 3 – Oxfordshire County Council Investment Portfolio at 31 March 2025

Annex 4 – Prudential Indicators as at 31 March 2025

Background papers: [Treasury Management Strategy for 2024/25](#)

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