Audit Committee		Agenda Item:
Meeting Date	16 July 2025	
Report Title	Annual Treasury Management Report 2024/25	
EMT Lead	Lisa Fillery, Director of Resources	
Head of Service	Claire Stanbury, Head of Finance and Procurement	
Lead Officers	Claire Stanbury, Head of Finance and Procurement Olga Cole, Management Accountant	
Classification	Open	
Recommendations	1. To note the Treasury Management outturn report for 2024/25. 2. To approve the changes to the operational boundary for external debt and the external limit for external debt.	

1. Purpose of Report and Executive Summary

1.1 The purpose of this report is to review the final outturn position of treasury management transactions for 2024/25, including compliance with treasury limits and Prudential and Treasury Management Indicators.

1.2 The report also seeks approval to update indicators that have been agreed as part of the 2025/26 Treasury Management Strategy.

1.3 In February 2021 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, as a minimum, treasury management semi-annual and annual reports.

1.4 This report includes the requirement in the 2021 Code, mandatory from 1st April 2023, of reporting of the treasury management prudential indicators and the non-treasury prudential indicators.

1.5 The Council's treasury management strategy for 2024/25 was approved at a meeting on 21 February 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.

1.6 For 2024/25 the Investments Section of the Kent County Council (KCC) Finance Department had operational responsibility for the daily treasury management duties. KCC Finance in undertaking this work had to comply with Swale Borough Council's Treasury Management Strategy. Overall responsibility for Treasury Management remained with the Council.

1.7 This report:

- is prepared in accordance with the CIPFA Treasury Management Code and the Prudential Code;
- details the implications of treasury decisions and transactions;
- gives details of the outturn position on Treasury Management transactions in 2024/25; and
- confirms compliance with Treasury limits and Prudential Indicators.

2. Background

Borrowing Requirement and Debt Management

2.1 The overall borrowing position is summarised below:

	Balance on 31/3/2024 £’000	Movement in Year £’000	Balance on 31/3/2025 £’000
Capital Financing Requirement	52,113	10,541	62,654
External Borrowing	(10,000)	(3,000)	(13,000)
Cumulative External Borrowing Requirement	**42,113**	**7,541**	**49,654**

2.2 Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be accounted for as a charge to the General Fund.

2.3 The reason for the increase in the CFR in 2024/25 is due to the increase in the capital spend not funded from grants, contributions or reserves, as well as the recognition of leases brought onto the balance sheet under IFRS 16.

2.4 As outlined in the treasury strategy, the Council’s chief objective when borrowing has been to strike an appropriately low 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 and, where practicable, to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

2.5 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.

2.6 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%.

2.7 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

2.8 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. Existing commercial investments are not required to be sold; however, authorities with existing commercial investments who expect to need to borrow should review the options for exiting these investments. The Council has no plans to borrow to invest primarily for financial return.

2.9 The table below summarises the Council's borrowing portfolio at 31 March 2025.

Lender	Loan Value £	Borrowing Rate	Borrowing Date	Maturity Date	Duration (Days)
PWLB	5,000,000	5.33%	19/03/24	31/08/25	530
Spelthorne Borough Council	3,000,000	5.25%	08/01/25	08/07/25	181
Ashfield District Council	2,000,000	5.25%	08/01/25	08/07/25	181
Middlesbrough Council	3,000,000	5.80%	10/03/25	07/05/25	58

Investment Activity

2.10 The Council holds significant investment funds, representing income received in advance of expenditure plus balances and reserves held. During 2024/25, the Council held average daily cash balances of £21 million (£23 million for 2023/24) and our investment balances closed at £10.9 million at 31 March 2025.

2.11 The Council's budgeted investment income for 2024/25 was £526,000 and the actual income received was £1,033,000, of which £142,000 was from the Council's long-term investment in the Church, Charities and Local Authorities (CCLA) Mutual Investment Property Fund.

2.12 The table below summarises the Council's investment portfolio at 31 March 2025. All investments made were in line with the Council's approved credit rating criteria at the time of placing the investment, and still met those criteria at 31 March 2025.

Counterparty (MMF = Money Market Funds)	**Long-Term Rating**	**Balance Invested at 31 March 2025 £'000**
Black Rock MMF	AAAmmf	1,910
Invesco MMF	AAAmmf	3,000
Aberdeen MMF	AAAmmf	3,000
CCLA Property Fund	unrated	3,000
Total		**10,910**

2.13 The ratings above are from Fitch credit rating agency. A description of the grading is provided below:

- AAAmmf: Funds have very strong ability to meet the dual objectives of providing liquidity and preserving capital.

2.14 The treasury management position at 31 March 2025 and the changes during the year is summarised below:

Investments	**Balance on 31/03/24 £'000**	**Movement in Year £'000**	**Balance on 31/03/25 £'000**	**Average Rate at 31/03/25 %**
Money Market Funds	12,210	(4,300)	7,910	4.20
Long-Term Investments	3,000	0	3,000	4.72
TOTAL INVESTMENTS	**15,210**	**(4,300)**	**10,910**	
Borrowing				
Short-Term Borrowing	(10,000)	(3,000)	(13,000)	5.41
TOTAL BORROWING	**(10,000)**	**(3,000)**	**(13,000)**	

2.15 The long-term investment shown in the table above is the Council's investment in the CCLA Property Fund. Accounting requirements dictate that financial instruments, which include this investment, are carried in the balance sheet at fair value. The fair value for this fund is based on the market price which as at 31 March 2025 was £2.8 million.

2.16 Since CCLA fund has no defined maturity date, but funds are available for withdrawal after a notice period, its performance and continued suitability in meeting the Council's medium to long-term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years and with the expectation that over a three to five-year period total returns should exceed cash interest rates.

2.17 In keeping with the Ministry of Housing, Communities and Local Government (MHCLG) Guidance on Investments, the Council maintained a sufficient level of liquidity through the use of Money Market Funds, overnight deposits and the use of Debt Management Agency Deposit Facility (DMADF).

2.18 The Council sought to optimise returns commensurate with its objectives of security and liquidity.

2.19 The criteria applied by the Director of Resources for the approval of a counter party for deposits are:

- credit rating - a minimum long-term of A-;
- credit default swaps;
- share price;
- reputational issues;
- exposure to other parts of the same banking group; and
- country exposure.

2.20 The investments permissible by the 2024/25 Treasury Strategy were:

Counterparty	**Time Limit**	**Cash Limits**
The UK Government	50 years	Unlimited
Local Authorities and other government entities	25 years	£3m
Major UK banks / building societies unsecured deposits*	13 months	£3m
Leeds Building Society unsecured deposits*	As per credit advice	£1.5m
Close Brothers unsecured deposits*	As per credit advice	£1.5m
Money Market Funds*	n/a**	£3m each
Strategic Pooled Funds e.g., Absolute return, Equity income, Corporate Bond Funds, Multi Asset Funds	n/a**	£3m each
CCLA Property Fund	n/a**	£3m
Registered providers (unsecured) *	5 years	£3m in aggregate
Secured Investments*	25 years	£3m in aggregate
Other Investments *	5 years	£3m in aggregate
Non treasury investments	As per credit advice	To be agreed on a case by case basis

2.21 This Council takes the view that the Capital Strategy should reflect the following principles:

- investing in sustainable, affordable and social housing to increase overall supply;
- using the ability to borrow at lower rates of interest for the benefit of the physical and social infrastructure of the borough and for broader social value; and,
- ensuring that the costs of borrowing are manageable long term within the revenue budget

2.22 The maximum permitted duration for unsecured deposits with major UK Banks and building societies is 13 months. For 2024/25 the Director of Resources in consultation with chair of Policy & Resources Committee could consider longer duration. Bonds could have been purchased with a maximum duration of five years.

2.23 The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Council, as well as other non-financial assets which the Council 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). At 31 March 2025 the Council held £3.984 million of a longstanding portfolio of 11 investment properties within the borough. These investments generated £300 thousand of investment income for the Council in 2024/25 after taking account of direct costs, representing a rate of return of 6.38%.

External Context

2.24 **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.

2.25 Arlingclose, the Council'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.

2.26 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.

2.27 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.

2.28 **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.

2.29 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.

Credit Review

2.30 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.

2.31 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.

2.32 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.

2.33 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.

CIPFA Code and PWLB Lending Facility Guidance

2.34 Borrowing is permitted for cashflow management, interest rate risk management, to refinance current borrowing and to adjust levels of internal borrowing. Borrowing to refinance capital expenditure primarily related to the delivery of a local authority's function but where a financial return is also expected is allowed, provided that financial return is not the primary reason for the expenditure. The changes align the CIPFA Prudential Code with the PWLB lending rules.

2.35 **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. The Council had set up a reserve of £350k to mitigate the impact of the statutory override not being extended. In view of the fact that the override may not be extended past 2029 the authority has decided to maintain this reserve.

Compliance

2.36 The Council has mostly complied with its Prudential and Treasury Management Indicators for 2024/25 which were set as part of the Treasury Management Strategy agreed by Council in February 2024.

2.37 As a result of accounting regulation changes to leases, the operational boundary and external limit for external debt in relation to other long term liabilities have both been breached. The limits were set based on the council's vehicle leases, however the year end accounting changes have resulted in two car parks now recognised as lease liabilities. The recognition of these liabilities has led to the limits being breached, although the financial obligations of the council are unchanged.

2.38 The treasury management strategy for 2025/26 was written and approved before the reporting requirement for these leases was fully assessed. Following the detailed work completed for the Statement of Accounts for 2024/25, the limits need to be increased, as detailed below. These proposed changes will be taken to the Policy & Resources Committee for formal approval in September 2025.

2.39 In Appendix I the outturn position for the year against each Prudential Indicator is set out.

2.40 The Head of Finance and Procurement confirms that all treasury management activities undertaken during the year complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy.

Treasury Advisers

2.41 Arlingclose has been the Council's treasury advisers since May 2009. Officers of the Council meet with Arlingclose regularly and high quality and timely information is received from them.

Capital Strategy

2.42 The Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Council's Capital Strategy for 2024/25, complying with CIPFA's requirement, was approved by Council on 21 February 2024.

Change to Treasury Management Prudential Indicators

2.43 As a result in the changes to the accounting treatment of leases, there are two linked indicators that need to be updated, the operational boundary for external debt, and the authorised limit for external debt.

2.44 The operational boundary is based on the Council's estimate of most likely scenario for external debt. It links directly to the Council's estimates of capital expenditure, the capital financing requirement, and cash flow requirements, and is a key management tool for in-year monitoring. Other long term liabilities comprise finance leases and other liabilities that are not borrowing but form part of the Council's debt, and this is the part that needs to be increased.

2.45 The table below show the limits in the current strategy, the final position as reported in this report, and the proposed updated limits for the 2025/26 strategy.

Operational Boundary Current Strategy	2024/25 Revised £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000
Borrowing	45,000	45,000	55,000	57,000
Other long term liabilities	1,000	1,000	1,000	1,000
Total operational boundary	**46,000**	**46,000**	**56,000**	**58,000**
2024/25 Outturn				
Borrowing	13,000			
Other long term liabilities	3,169			
Total operational boundary	**16,169**			
Proposed Strategy				
Borrowing	45,000	45,000	55,000	57,000
Other long term liabilities	1,000	5,000	5,000	5,000
Total Operational Boundary	**46,000**	**50,000**	**60,000**	**62,000**

2.46 The authorised limit sets the maximum level of external borrowing on a gross basis for the Council. It is measured on a daily basis against all external borrowing items on the balance sheet. This Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases. The authorised limit is set on the estimate of the most likely, prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.

2.47 The table below shows the limits in the current strategy, the final position as reported in this report, and the proposed updated limits for the 2025/26 strategy.

Authorised Limit	2024/25 Revised	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Current Strategy	**£'000**	**£'000**	**£'000**	**£'000**
Borrowing	55,000	55,000	65,000	67,500
Other long term liabilities	2,500	2,500	2,500	2,500
Total authorised limit	**57,500**	**57,500**	**67,500**	**70,000**
2024/25 Outturn				
Borrowing	13,000			
Other long term liabilities	3,169			
Total authorised limit	**16,169**			
Proposed Strategy				
Borrowing	55,000	55,000	65,000	67,500
Other long term liabilities	2,500	9,000	9,000	9,000
Total authorised limit	**57,500**	**64,000**	**74,000**	**76,500**

3. Proposal

3.1 Members are asked to note the report.

4. Alternative Proposals

4.1 No alternative proposals have been considered and compliance with the CIPFA Code is mandatory.

5. Consultation Undertaken

5.1 Our treasury advisors, Arlingclose, have been consulted.

6. Implications

Issue	Implications
Corporate Plan	Supports delivery of the Council’s objectives.
Financial, Resource and Property	As detailed in the report
Legal, Statutory and Procurement	CIPFA produce a framework for managing treasury activities, called a ‘Code’. Councils are legally required to have regard to this Code and members of CIPFA are expected to comply with its requirements. This report fulfils the Council’s legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the MHCLG Guidance
Crime and Disorder	Not relevant to this report
Environment and Climate/ Ecological Emergency	Not relevant to this report
Health and Wellbeing	Not relevant to this report

Issue	Implications
Safeguarding of Children, Young People and Vulnerable Adults	Not relevant to this report
Risk Management and Health and Safety	Not relevant to this report
Equality and Diversity	Not relevant to this report
Privacy and Data Protection	Not relevant to this report

7. Appendices

7.1 Appendix I: Treasury Management and Prudential Indicators

8. Background Papers

None

Treasury Management and Prudential Indicators for 2024/25 - Appendix I

Introduction

The Local Government Act 2003 requires the Council to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

This report compares the approved indicators with the outturn position for 2024/25. Actual figures have been taken from, or prepared on a basis consistent with, the Council's Statement of Accounts

Capital Expenditure: The Council's capital expenditure and financing may be summarised as follows.

Capital Expenditure and Financing	**2024/25 Actual £'000**
Total Capital Expenditure	**16,827**
Source of Funding	
Capital grants and other contributions	7,765
Capital receipts	0
Earmarked reserves	130
Direct revenue funding	0
Borrowing	8,932
Total Capital Funding	**16,827**

Capital Financing Requirement: The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose.

Capital Financing Requirement	**31/03/25 Estimate £'000**	**31/03/25 Actual £'000**	**31/03/25 Difference £'000**
Total CFR	73,390	62,654	(10,736)
External Borrowing	(30,500)	(13,000)	17,500
Cumulative External Borrowing Requirement	**42,890**	**49,654**	**6,764**

External borrowing: as at 31 March 2025 the Council had £13 million of external borrowing

Operational Boundary for External Debt: The Operational Boundary is based on the Council's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Council's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance leases, and other liabilities that are not borrowing but form part of the Council's debt.

Operational Boundary	**31/03/25 Boundary £'000**	**31/03/25 Actual Debt £'000**	**Complied**
Borrowing	45,000	13,000	✓
Other long-term liabilities	1,000	3,169	x
Total Operational Boundary	46,000	**16,169**	✓

Authorised Limit for External Debt: The Authorised Limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The Authorised Limit provides headroom over and above the Operational Boundary for unusual cash movements.

Authorised Limit and Total Debt	**31/03/25 Boundary £'000**	**31/03/25 Actual Debt £'000**	**Complied**
Borrowing	55,000	13,000	✓
Other Long-Term Liabilities	2,500	3,169	x
Total Authorised Limit	**57,500**	**16,169**	✓

The Director of Resources confirms that the operational boundary and authorised limit for other long term liabilities were breached at the end of 2024/25. The reason is due to the changes in the way that leased assets are now presented on the balance sheet. The council leases a number of vehicles, plus two car parks, which create the liability of £3,169k at the financial year end. The car park leases were previously treated as rental agreements, so although the limits have been breached, there has been no increase in the financial obligations of the council.

Ratio of Financing Costs to Net Revenue Stream: This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Treasury Management and Prudential Indicators for 2024/25 - Appendix I

Ratio of Financing Costs to Net Revenue Stream	**31/03/25 Estimate %**	**31/03/25 Actual %**	**Difference %**
General Fund Total	6.85	7.61	0.76

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 fixed rate borrowing were:

	31/03/25 Actual %	**Upper Limit %**	**Lower Limit %**	**Complied**
Under 12 months	100	100	0	✓
12 months and within 24 months	0	100	0	✓
24 months and within 5 years	0	100	0	✓
5 years and within 10 years	0	100	0	✓
10 years and above	0	100	0	✓

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

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 limits on the long-term principal sum invested to final maturities beyond the period end were:

	2024/25 £'000
Actual Principal Invested Beyond Year End	3,000
Limit on Principal Invested Beyond Year End	10,000
Complied	✓

Investment Benchmarking

Average Actual Return on Investments 2024/25	**Original Estimate Return on Investments 2024/25**	**Average Bank Rate 2024/25**	**Average 7-day SONIA Rate 2024/25**
4.20%	4.98%	4.95%	4.90%

SONIA is the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors.

Liability Benchmark: This 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 £'000	31.3.25 Actual £'000	31.3.26 Forecast £'000	31.3.27 Forecast £'000
Loans CFR	52,113	62,654	68,378	68,150
Less: Balance sheet resources	(57,200)	(57,488)	(58,925)	(60,398)
Net loans requirement	**(5,087)**	**5,166**	**9,453**	**7,752**
Plus: Liquidity allowance	10,000	10,000	10,000	10,000
Liability benchmark	**4,913**	**15,166**	**19,453**	**17,752**
Existing borrowing	**10,000**	**13,000**	**10,000**	**10,000**

Following on from the medium-term forecast above, the long-term liability benchmark assumes capital expenditure funded by borrowing in line with the capital programme, and minimum revenue provision on new capital expenditure based on appropriate asset life values (50 years, unless a shorter life is more appropriate). This is shown in the chart below together with the maturity profile of the Council's existing borrowing.