

Agenda Item 09

JOINT AUDIT COMMITTEE

25th September 2025

**TREASURY MANAGEMENT OUTTURN
REPORT 2024-25**

1. PURPOSE OF REPORT

- 1.1 To present the annual treasury outturn position for 2024-25, in line with recommended best practice and the revised CIPFA Code of Practice for Treasury Management 2021.
- 1.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) definition of treasury management is:

“The management of the organisation’s cash flows, 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.”

- 1.3 It is important to note that financial information contained within this report should not be used by any individual or organisation as a basis for making investment or borrowing decisions. The Commissioner and his treasury advisers will not accept any liability on behalf of any individual or organisation who seeks to act on the financial information contained within this report.
- 1.4 This report has been written with support from our external treasury management advisors, MUFG Corporate Markets (previously known as LINK Treasury Services)

2. ECONOMIC UPDATE

- 2.1 The Economic updates were received in year from MUFG Corporate Markets. Interest rate movements impact the rate at which the Commissioner can borrow and invest money on behalf of Policing functions in the West Midlands.

- 2.2 The Bank of England's Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target. This helps to sustain growth and employment. Throughout 2024-25 the bank rate was cut from 5.25% to 4.5%. At its August 2025 meeting, the MPC voted to make a further cut, taking it to its current level of 4%.
- 2.3 GDP growth has been around 1.1% during the year, which is an increase of 0.8% in comparison to the prior year. The Bank of England expect a similar growth in the coming year.

3. PRUDENTIAL INDICATORS

3.1 Interest Rate Exposure

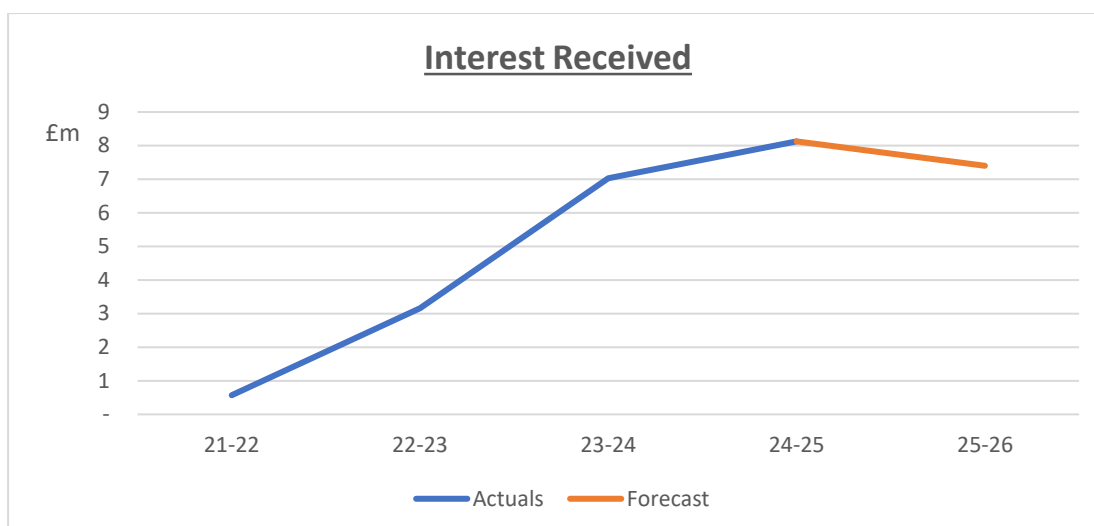
- 3.1.1 Twelve-month CPI inflation increased from 2.6% in May 2024 to 3.4% in May 2025, driven by increases in the cost of food and fuel. It remains above the MPC's 2% target. Inflation is expected to peak at 3.7% in September 2025 before returning to the 2% target by 2026. The temporary rise is due to factors like energy price increases and rising food costs. The table below includes MUFG's forecast, which has been updated following the June MPC meeting.
- 3.1.2 MUFG Corporate Markets, provided the following interest rate forecasts on 23 April 2025:

Forecasts	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27
Bank Rate*	4.25	4.00	3.75	3.75	3.75	3.50	3.50	3.50
5-year PWLB	4.80	4.70	4.60	4.50	4.40	4.40	4.30	4.20
10-year PWLB	5.10	5.00	4.90	4.80	4.70	4.70	4.60	4.50
25-year PWLB	5.60	5.50	5.40	5.30	5.20	5.10	5.00	5.00
50-year PWLB	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.70

Note: PWLB is the Public Works Loans Board which is the main body through which the PCC borrows money against capital requirements. The rates shown in the table are for interest only loans over different loan periods, with the principal repayable as a lump sum at the end of the loan period.

**This is the MUFG Corporate Markets forecast for 2-year BoE rates. For comparison, Capital Economics (a leader in providing independent Economic Research) also have their 2-year forecast at 3.50%.*

- 3.1.3 The UK exited a short recession at the end of 2023 and experienced growth in early 2024. However, growth has slowed down since then and forecasts remain relatively low.
- 3.1.4 The table below shows the interest received on investments made, over the last 4 years with the forecast for the current year 2025-26. The forecast assumes interest rates that have been provided by MUFG Corporate Markets and the planned investment is based on our long term cashflow forecast which is reviewed regularly.



Note – Excludes CCLA Property Fund

3.1.5 All interests are received on the basis of using only fixed rate investments as per our Treasury Management Strategy.

3.2 External Debt 2024-25

3.2.1 Since April 1986, the Police Authority had been incurring long term debt from the Public Works Loans Board (PWLB) to finance major capital expenditure. All the borrowing was transferred to the Commissioner in November 2012.

3.2.2 Borrowing at the 31 March 2025 was £82.2m, all at fixed rates and repayable over various periods up to 2072.

3.2.3 The Commissioner has the capacity to undertake variable rate borrowing (up to 20% of the total debt portfolio) should the need arise or to take advantage of fixed rates to fund identified need.

3.2.4 One loan matured during 2024-25 totalling £2.2m at 6.625%. No new loans were taken out during the year.

3.2.5 The average rate of interest payable on debt during the year was 3.69%. MUFG Corporate Markets, the Commissioner's treasury advisors continue to advise on debt restructuring to enable the Commissioner to take advantage of opportunities to reduce the overall cost of debt, set in the context of the financial constraints and markets.

3.2.6 The table below shows the level of borrowing and the average interest rate payable.

Public Works Loan Board (PWLB) Borrowing

Loan Type	Borrowing £'m		Average Interest Rates %	
	31/03/24	31/03/25	2023-24	2024-25
Fixed	84.4	82.2	3.17	3.69
Variable	0.0	0.0	0.0	0.0
Total	84.4	82.2	3.17	3.69

3.2.7 Appendix A shows the maturity profile of the Loan portfolio as at 31 March 2025.

3.3 Investments 2024-25

3.3.1 Any surplus funds have been invested on a daily basis. The Sterling Overnight Index Average (SONIA), a investment benchmark PCC uses an investment benchmark is used to assess the investment performance of the investment portfolio.

3.3.2 Average interest earned on fixed term investments up to the end of March 2025 was 5.08%. The SONIA rate to mid-Jan averages 4.70%. The returns over the year have been at a good level compared to this benchmark. Interest received for the 2024-25 financial year totalled £8.1m, which was slightly in excess of the forecast of £8m (excluding the property fund). However, it must be remembered that the primary objective of the treasury management strategy is security and liquidity so it is these factors that are pursued ahead of yield.

3.3.3 As at 31 March 2025, the investment portfolio totalled £75m, invested with a range of maturity dates between instant access and one year, and a further £5m with CCLA property fund with no maturity date.

3.3.4 All of the investments are with UK based entities. The split of these investments is as follows and detailed in Appendix B.

- 15% Money Market Funds (MMF's)
- 80% Local Authorities,
- 5% CCLA

As at 31 March 2025, there were no investments with foreign banks and all money market funds were in UK-based funds.

3.3.5 MMF's have been used throughout 2024-25 as they provide liquidity as well as yielding rates which are reviewed daily. Three MMF's are currently available, after a third was opened in 2023-24. The counterparty limit on the current MMF's is £30m. This has generated £3.1m of additional income in the 2024-25 financial year.

3.3.6 Based on market information provided by MUFG Corporate Markets, the counterparty list has been fully reviewed to reflect: current market conditions, credit ratings of sovereign nations, and the impact of Government support for the banking sector. The group and individual limits (£65m) for the part government owned institutions (National Westminster Bank, Royal Bank of Scotland) remained the same as in 2023-24. General everyday banking is with NatWest group and any uninvested funds remain here.

3.3.7 Similarly, all Local Authorities are eligible for inclusion on the counter party list because ultimately, they have the support of the national government. However, during 2020/21 it became known that some Local Authorities issued Section 114 notices, effectively stating they cannot balance the budget for the year and placing a freeze on any non-essential spending. (It should be noted that the repayment of investments falls outside

the scope of this as it is a legal obligation). As a result of this, additional due diligence is now carried out on any Local Authority investments to ensure that investments are secure and to avoid any adverse publicity.

- 3.3.8 If institutions now fall below the set criteria they have been removed from the list and added if they become eligible.
- 3.3.9 No breaches of the TMSS in relation to the counterparty list were noted in the 2024-25 financial year.
- 3.3.10 The day to day work of Treasury Management is carried out in the Finance Department with oversight from the Director of Commercial Services. The Treasury Management Strategy is therefore managed using appropriate delegations and periodic management reporting to the Director of Commercial Services and the Commissioner's CFO. This will continue for the next financial year.

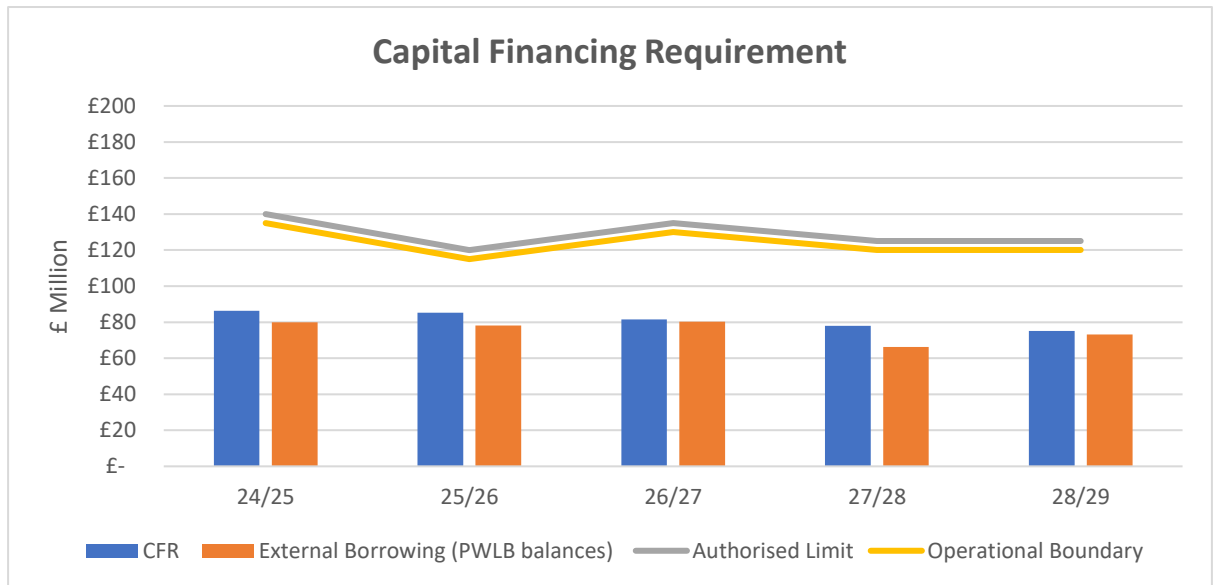
3.4 Capital Financing Requirement 2024-25

- 3.4.1 The Capital Financing Requirement (CFR) is the historic underlying need to borrow for capital expenditure. It builds up over time and expresses how much of historic capital expenditure, allowing for having used other sources of funding such as capital receipts, grant and revenue contributions, requires financing through other means, i.e. borrowing. The CFR increases when unfinanced expenditure is incurred and decreases when provision is made to repay that debt (through MRP). MRP is the statutory annual revenue charge which sets aside an amount from annual funding which broadly matches the indebtedness to each asset's usable life. In doing so, this charges the economic consumption of capital assets as they are used up in the provision of services.

	31-Mar-25 £'m	31-Mar-26 £'m	31-Mar-27 £'m	31-Mar-28 £'m	31-Mar-29 £'m
Capital Financing Requirements	86.4	85.2	81.6	77.9	75.2
Existing Borrowing	82.2	80.2	80.2	73.2	73.2
Repayments	-2.2	-2.0	0	-7.0	0
New Borrowing	0	0	0	0	0
Net External Borrowing	80.0	78.2	80.2	66.2	73.2
(Over)/Under Borrowed	6.4	7.0	1.4	11.7	2.0

- 3.4.2 Borrowing can be either undertaken internally or externally. Internal borrowing occurs when MRP has been set aside to repay borrowing but that borrowing is not yet due to be repaid, leaving a cash balance available to temporarily apply to other capital spend. However, external borrowing may also be needed for new capital expenditure and be taken as external loans.
- 3.4.3 These loans are used to finance capital expenditure, which means the acquisition or improvement of assets: land, buildings, ICT infrastructure. Therefore, although there

is an increased liability on the balance sheet in terms of borrowing this is offset by an increase in the value of assets to be utilised in the provision of services.



3.4.4 The table above shows how the CFR is expected to change over the period of the MTFP and shows that the PCC is currently in a 'under borrowed' position (£6.4m). This differs from the CFR reported in the Treasury Management Strategy for 2025-26 as the CFR now includes the adoption of IFRS 16 for leases. With the effect of IFRS 16, an under borrowed position is likely to remain going forward, bringing the CFR in line with the net external borrowing.

4. RECOMMENDATIONS

4.1 The Committee is recommended to formally note the treasury management outturn position for 2024-25.

Jane Heppel
Chief Finance Officer
Police and Crime Commissioner

APPENDIX A

Loan maturity profile as at 31 March 2025

Maturity Date	Loan amount	Interest rate	Annual int. payable
15/10/2025	2,000,000	6.625%	132,500
30/11/2027	7,000,000	3.990%	279,300
15/06/2056	5,587,000	4.450%	248,621
01/03/2057	8,200,000	4.350%	356,700
01/09/2061	2,000,000	4.875%	97,500
07/12/2068	10,000,000	2.640%	264,000
10/12/2068	10,000,000	2.540%	254,000
12/02/2069	5,000,000	2.370%	118,500
28/03/2069	10,000,000	2.160%	216,000
08/10/2069	15,000,000	1.630%	244,500
14/03/2072	7,500,000	2.070%	155,250
TOTAL	82,287,000		2,366,872

APPENDIX B

Investments as at 31 March 2025

INVESTMENTS AS AT 31/03/25				
Maturity	Borrower	Principal (£)	Rate (%)	Type
07-Apr-25	Bournemouth, Christchurch & Poole Council	10,000,000	4.90	Local Authority
07-Apr-25	Reading Borough Council	10,000,000	5.20	Local Authority
08-Apr-25	Kingston Upon Hull Council	10,000,000	5.05	Local Authority
25-Apr-25	Blackpool Borough Council	10,000,000	4.90	Local Authority
25-Apr-25	Leeds City Council	10,000,000	5.05	Local Authority
25-Apr-25	Cheshire East Council	10,000,000	5.05	Local Authority
25-Apr-25	Surrey Heath Borough Council	5,000,000	5.05	Local Authority
25-Apr-25	Bradford Metropolitan Council	5,000,000	5.70	Local Authority
10-Nov-25	Lancashire County Council	5,000,000	5.15	Local Authority
Instant	Money Market Fund Federated	15,000,000	Variable	
5 to 10 years	CCLA	5,000,000	Variable	Property Fund

APPENDIX C

External Investments - Approved Counterparty List and Limits 2024-25

LOCAL AUTHORITIES	LIMIT for each LA	
	£m	PERIOD
All Local Authorities**	30	1 year+
Banks and building societies (exc. RBS Group)	30	<1 year
RBS Group (Natwest and Royal Bank of Scotland)	65	<1 year
Bank of England (DMADF)	100	1 year+
Money Market Funds	30	Instant access

** Local authorities may be subject to lower limits throughout the year if they are deemed to be under severe financial stress.