ISLE OF ANGLESEY COUNTY COUNCIL	
REPORT TO:	**GOVERNANCE AND AUDIT COMMITTEE**
DATE:	**16 JULY 2025**
SUBJECT:	**ANNUAL TREASURY MANAGEMENT REVIEW FOR 2024/25**
PORTFOLIO HOLDER(S):	**COUNCILLOR R WILLIAMS – DEPUTY LEADER & FINANCE PORTFOLIO HOLDER**
LEAD OFFICER(S):	**R MARC JONES**
CONTACT OFFICER(S):	**JEMMA ROBINSON**

Nature and reason for reporting

To comply with regulations issued under the Local Government Act 2003 and with the Council's Treasury Management Scheme of Delegation for 2024/25 (Appendix 10 of the Treasury Management Strategy Statement 2024/25). In accordance with the Scheme of Delegation, this report is due to be presented to the Executive and then the full Council once it has been scrutinised by this Committee.

1. COMPLIANCE WITH REPORTING REQUIREMENTS

1.1. Under the requirements of the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code), a number of reports are required to be presented to the Governance & Audit Committee, the Executive and the Full Council during the year. The details of these reports are summarised in Table 1 below.

Table 1
Summary of Treasury Management Reports presented to Committees and Full Council

Report	Governance & Audit Committee	Executive	Full Council
Annual Treasury Management Strategy 2024/25	8 February 2024	20 February 2024	7 March 2024
Treasury Update Report Quarter 1 2024/25	Delegated to Portfolio Holder – Issued 21 January 2025		
Mid Year Treasury Update Report 2024/25	11 February 2025	18 February 2025	6 March 2025
Treasury Update Report Quarter 3 2024/25	Delegated to Portfolio Holder – Issued 10 March 2025		
Annual Review Report 2024/25	16 July 2025	17 July 2025	25 September 2025

2. REVIEW OF 2024/25 – EXTRENAL FACTORS

2.1. A number of factors influence the Council's Treasury Management activities which are outside the Council's control but have a major impact on the Council's borrowing and investment decisions.

2.2. Interest Rates

The level of interest rates at the time decisions are taken and the future trajectory for rates has a significant impact on treasury management decisions and can influence if the Council borrows externally, the length of any borrowing, when the Council ties into longer term investments and where the Council invests its surplus cash.
At the commencement of 2024/25, the Bank of England base rate stood at 5.25% but as inflation fell and the economy slowed, the rate was reduced to 5.00% in August 2024, 4.75% in November 2024 and 4.5% in February 2025.
Rates are expected to continue to fall in 2025, with a reduction to 4.25% made in May 2025 with 2 or 3 further cuts expected during the remainder of 2025, with rates expected to be around 3.5% by the end of 2025.

2.3. The UK Economy

The UK economy is still operating within major global events which are impacting the global economy, which include the continuing war in Ukraine and the need to increase expenditure on defence, the change in the President of the United States, the introduction of higher tariffs by the United States causing a potential slowdown in the world economy and its impact on oil and energy prices.

In the UK, there was a change in the national government, with the new Labour Government putting the growth of the economy as their major priority, whilst trying to fund public services without increasing levels of income tax, VAT or employee national insurance and without increasing external borrowing. This has resulted in the Government adopting a new set of fiscal rules which has allowed increases in budgets in the early years of the new Parliament but will require budget reductions in future years.

It is planned that the additional expenditure in 2025/26 and 2026/27, will generate growth in the economy which will increase tax revenues in future years. This combined with reductions in some Government budgets, notably the welfare budget, will allow the Government to reach its fiscal targets, however the Government's headroom is very small and risk of not achieving these fiscal targets is high.

The increase in employer national insurance contributions will generate additional revenue but may impact growth and will increase costs for the public sector, which reduces the net impact of the change.

UK economic growth stayed very low during 2024/25 with no growth in the first 2 quarters, growth of 0.4% in the third quarter, followed by growth of 0.5% in the final quarter. Growth is forecast to remain between 1% and 2% for 2025 through to 2028.

Consumer Price Inflation (CPI) started 2024/25 at 3.2% but fell during the year to reach a low of 1.7% in September 2024, it then rose back to 3% in January 2025, mainly as a result of increasing energy prices, but fell back to 2.6% in March 2025, It is forecast to rise again during 2025, reaching a peak of 3.5% by the end of the summer before falling back towards the Bank of England's of 2.0%, with a forecast figure of 2.7% by the end of 2025/26.

3. CAPITAL EXPENDITURE 2024/25

3.1. Capital expenditure has a significant impact on the Council's treasury management activity. Capital expenditure can be financed:-

- immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or

- from borrowing: If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

3.2. Table 2 below compares the draft capital expenditure for 2024/25 with the original and revised budgets.

Table 2
Capital Expenditure 2024/25

	2024/25 Original Budget £'m	**2024/25 Revised Budget £'m**	**2024/25 Actual £'m**
General Fund	13.8	48.7	37.2
HRA	30.0	29.6	27.5
Total Capital Expenditure	**43.8**	**78.3**	**64.7**
Financed By			
General Fund Grants, Reserves and Revenue Contributions	9.0	40.4	30.4
HRA Grants and Revenue Contributions	29.1	26.0	27.5
General Fund Borrowing	4.8	8.0	6.8
HRA Borrowing	0.9	3.9	0.0
Total Funding	**43.8**	**78.3**	**64.7**
Total Expenditure Funded from Borrowing	**5.7**	**11.9**	**6.8**

3.3. The main areas of variances in the capital expenditure (over £500k) are set out in Table 3 below:-

Table 3
Capital Expenditure Variances 2024/25

Scheme	Underspend £'000	Comments
HRA Capital Improvements	2,104	For further information on the HRA capital expenditure, please refer to the HRA Outturn report, presented to this Committee on 17 July 2025.
School and Council Building Refurbishments, including disabled adaptations	850	Underspends on these budgets were expected due to the award of additional grant funding in the year. Welsh Government's Additional Learning Needs (ALN) Grant was used to fund works to enable Disabled Access in Education Buildings for 2024/25. It is expected that the pressure on this budget heading will increase in future as results of access audits will provide a fuller picture of the works required. The Education buildings capital budget underspend was a consequence of grant award of Capital Repairs and Maintenance Grant 2024/25.There is a conscious decision not to try to push the spend out hurriedly, and rather to displace it against committed expenditure and carry over to a measured 2025/26 programme.
Holyhead Regeneration (THI Phase II)	734	Significant delays have been faced within this programme, specifically in relation to procurement and certain projects not proceeding. No funding will be lost and a new budget for 2025/26 will be allocated.
Holyhead UK Government Regeneration Programme	4,982	Significant underspend was likely due to significant delays being faced within the overall programme delivery. However, there has been an extension to September 2025 (with the likelihood of a further extension) and therefore no funding will be lost.
Council Buildings Low Carbon Heat Replacement Programme	895	£522k of this underspend is simply 5% retention that we have claimed on the projects to date, being held to be released after successful completion of the projects. £373k has arisen from a variation request to Welsh Government across two of the projects for works that couldn't complete within the 2024/25 and agreed to be carried forward for completion in 2025/26.
Canolfan Glanhwfa	600	The construction for this project has begun and will run for 12 months so the funding will be split over 2 financial years - majority of the funding will be spent in 2025/26.

Scheme	Underspend £'000	Comments
Electric Vehicle Charging Infrastructure	310	Additional funding was received in year from Welsh Government Energy Service, with conditions to be used within the specific financial year. Underspend of original funding allocation has been agreed to be carried forward a further year and therefore no funding will be lost.
Visitor Infrastructure	438	£193k of the underspend is the original council funded budget, which is requested to be slipped due to SPF grant funding being received in year that covered the spend on these projects. The SPF funding was utilised in full against these projects, however, what was originally budgeted to be capital expenditure was subsequently moved to revenue and funded in revenue. No funding has been lost.
	10,913	
Other Projects	2,608	
Total Underspend 2024/25	**13,521**	

4. IMPACT ON COUNCIL'S FINANCIAL POSITION

4.1. The Council's expenditure on capital and how it is financed impacts on the Council's financial position in respect of the following:-

- Capital Financing Requirement (CFR) – this is the measure of the Council's underlying need to borrow i.e. the sum of capital expenditure which has not been financed through grants, revenue contributions or reserves.
- Level of borrowing;
- The balance between borrowing that is external and borrowing which is funded from the Council's own cash balances (internal borrowing).
- The Council's own reserves and provisions.

4.2. Capital Financing Requirement

In order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure.

Table 4
Capital Financing Requirement and External Borrowing

	Budget £'000	Actual £'000	Variance £'000
Capital Financing Requirement			
Opening Balance	145,754	145,754	-
Capital Expenditure	78,247	64,726	(13,521)
Right of Use Assets (leases) brought onto Balance Sheet	0	1,715	1,715
Funding from Grants, Balances and Revenue	(66,325)	(57,873)	8,452
Minimum Revenue Provision	(1,743)	(1,710)	33
Minimum Revenue Provision – Right of Use Assets	0	(327)	(327)
Closing Balance	**155,933**	**152,285**	**(3,648)**

4.3. Debt Repayments

During 2024/25, annual repayments on PWLB annuity loans totalling £18k and zero interest Salix loans totalling £364k were made. In addition two fixed term PWLB loans were repaid which are as follows:-

- £569,200, loan commenced 18 October 1983 at a rate of 7.875%
- £284,600, loan commenced 4 May 1995 at a rate of 8.5%

These loans were not replaced with any new loans.

4.4. Internal and External Borrowing

When cash balances are sufficient and when investment rates are lower than long term borrowing costs, the Council has followed a policy of internal borrowing, where cash balances are used to fund capital expenditure or fund the repayment of existing loans, rather than borrowing externally. This policy maximises the savings possible. The level of internal borrowing is the difference between the CFR and the outstanding balance of external loans. This is 6ummarized in Table 5 below:

Table 5
External and Internal Borrowing

	Budget £'000	Actual £'000	Variance £'000
External Borrowing			
Opening Balance	122,411	122,411	0
New Borrowing	11,922	908	(11,014)
Loan Repayments	(1,236)	(1,236)	0
Closing Balance	**133,097**	**122,083**	**(11,014)**
A breakdown of the outstanding balance by loan repayment year, by outstanding loan balance per year, by loan type and by Fund is attached as Appendix 1 to 4			
Internal Borrowing			
Opening Balance	23,343	23,343	0
New Borrowing to Replace Internal Borrowing	0	0	0
New Borrowing to Fund Loan Repayments	0	0	0
New Borrowing to Fund Capital Expenditure	0	5,945	5,945
Loan Repayments in Year	1,236	1,236	0
Right of Use Assets (leases) brought onto Balance Sheet	0	1,715	1,715
Minimum Revenue Provision	(1,743)	(1,710)	33
Minimum Revenue Provision Right of Use Assets	0	(327)	(327)
Closing Balance	**22,836**	**30,202**	**7,366**

4.5. The average length to maturity of the existing loans and the average rate of the loans are shown in Table 6 below.

Table 6
Average Length to Maturity and Average Interest Rate of Outstanding Loans

	31 March 2025		31 March 2024	
	Average Years to Maturity	Average Interest Rate	Average Years to Maturity	Average Interest Rate
PWLB Maturity	19.21 Years	5.1%	19.33 Years	5.2%
PWLB Annuity	5.37 Years	9.4%	6.37 Years	9.4%
Salix	5.50 Years	0.0%	5.57 Years	0.0%

5. INVESTMENTS

5.1. As cash balances are utilised to fund capital expenditure, the sums available to invest reduce over time. At the start of the financial year, the Council held £15m in fixed term investments, £16.4m in call accounts and £0.27m in current accounts. This gave a combined total of cash investments of £31.67m

5.2. At the end of the financial year, the value of cash investments had fallen to £13.174m, made up of £7m fixed term investments, £5.96m in call accounts and £0.214m in current accounts.

5.3. An analysis of the investments by quarter and by counterparty is attached in Appendix 5 and 6.

5.4. The average balance invested in 2024/25 in fixed term investments was £14.589m with an average rate of return of 5.05%. This compares to an average investment of £15m in 2023/24 with an average return of 5.18%.

5.5. The average balance held in call accounts in 2024/25 was £22.175m with an average return of 3.88%. This compares to an average balance of £16.602m in 2023/24 with and average return of 4.11%.

5.6. The investments through fixed term investments, call accounts and current accounts generated £1.55m in interest. After allowing for the transfer of interest to bond holders and minor trusts, investments generated £866k of interest for the general fund, compared to a budget of £670k, £382k for the HRA, compared to a budget of £400k and £212k for schools.

6. COMPLIANCE WITH THE TREASURY MANAGEMENT STRATEGY

6.1. The Annual Treasury Management Strategy for 2024/25 was approved by the Council on 7 March 2024 and it set out a number of principles. How the Council has performed against these principles is detailed below.

6.2. Borrowing Strategy (Paragraph 8.1 & 8.2 of the TMSS 2024/25)

The Council has followed a strategy of using cash reserves to fund capital expenditure (internal borrowing) and only externalises borrowing cash balances fell too low, that there was a sharp rise in interest rates forecast at a time when the Council would have to borrow or if borrowing rates fell below investment rates.

During 2024/25, a final drawdown of a previously agreed Salix loan was received £908k. No other external borrowing was undertaken and the policy of using cash balances to fund capital expenditure remained. Interest rates are expected to fall during 25/26 and 26/27, making it more advantageous to postpone external borrowing for as long as possible.

6.3. Borrowing in Advance of Need (Paragraph 8.3 of the TMSS 2024/25)

The strategy was clear that the Council would not borrow in advance of need unless value for money could be demonstrated, and that the security of funds could be assured. No borrowing took place during 2024/25.

6.4. Debt Rescheduling (Paragraph 8.4 of the TMSS 2024/25)

Debt rescheduling would be considered if surplus cash was available to facilitate the repayment and that the rescheduling rebalances the portfolio and that the premium payable is lower than the interest saving made.

No rescheduling took place during 2024/25 as there is no urgent need to rebalance the portfolio and the cost of early redemption remains prohibitive.

6.5. Borrowing Counterparties (Paragraph 8.5 of the TMSS 2024/25)

The strategy sets out that the PWLB would remain as the Council's main source of borrowing, although consideration may be given to borrowing from other institutions.

During the year no external borrowing took place.

6.6. Investment Priority (Paragraph 10.2.1 of the TMSS 2024/25)

The strategy sets out that the Council prioritises investments in terms of security, liquidity, yield i.e. the Council prioritises the security of the investment above all other considerations, it then ensures that investments take into account the Council's need to access a level of cash instantly and that the yield generated is the final consideration.

During the year, these investment principles remained in place and all investments were made in accordance with these principles.

6.7. Investment Counterparties (Paragraph 10.2 – 10.4 of the TMSS 2024/25)

The strategy set out a number of criteria in respect of investment counterparties which covers the credit rating of each institution, set limits on the sums that could be invested with one institution, set limits on the length of investment and set out approved countries for investment.

During the year all the criteria set were complied with and no breaches occurred.

7. PRUDENTIAL INDICATORS

7.1. In addition to the principles set out above, the Strategy also included a number of prudential indicators and authorised limits. The purpose of these indicators place controls on the level of capital expenditure and the level of borrowing to fund the expenditure and measures the affordability of the revenue costs of borrowing. The comparison of the actual performance for 2024/25, compared to the estimate in the original strategy is shown in Table 7 below.

Table 7
Prudential Indicators 2024/25

PERFORMANCE INDICATORS				
Indicator Group	**Description**	**Treasury Management Strategy Statement 2024/25**	**Estimated Position at end of Q4**	
Affordability	Ratio of Financing Costs to Net Revenue Stream – General Fund	3.12%	2.62%	
	Ratio of Financing Costs to Net Revenue Stream – Housing Revenue Account (HRA)	10.38%	5.43%	
Capital Financing Requirement (CFR)	Council Fund & HRA	£171.991m	£152.285m	
AUTHORISED LIMITS				
Prudence	Gross debt must be lower than the CFR plus any additional CFR in the next two years	<198.521m	£122.082m	
External Debt	Authorised Limit	< £198.521m	£122.082m	
	Operational Boundary	< £193.521m	£122.082m	
Maturity of Debt	Under 12 months	<20% of total debt = £24.416m	£0.046m	0.04%
	12 months and within 24 months	<20% of total debt = £24.416m	£1.427m	1.17%
	24 months and within 5 years	<50% of total debt = £61.041m	£5.813m	4.76%
	5 years and within 10 years	<75% of total debt = £85.458m	£13.851m	11.35%
	10 years and above	100% = £122.082m	£122.082m	100.00%

7.2. The table above confirms that all the indicators and authorised limits set out in the strategy have been complied with.

8. 2025/26 AND BEYOND

8.1. The Treasury Management Strategy Statement for 2025/26 (approved by the Council on 6 March 2025) sets out the forecasts and strategy for the forthcoming year.

8.2. Based on the current position it is forecast that the Council's cash balances will fall and that the £10m currently invested in fixed term investments will have to be brought back into the Council's liquid cash balances as they mature during the summer, and this will enable the Council to operate adequate cash balances until October 2025. At that point part of the current internal borrowing will have to be externalised with further borrowing required close to the end of the 2025/26 financial year. A total of £20m of borrowing will be required to maintain adequate liquid cash balances during 2025/26.

8.3. Apart from annual repayments of annuity loans and Salix loans, no fixed term loan is due to be repaid in 2025/26. 2 loans with a combined value of £1.381m are due to be repaid during 2026/27 and a further 3 loans are due to be repaid, with a combined value of £2.165m are due to be repaid in 2027/28.

8.4. The Bank of England Base Rate is expected to continue to fall during 2025/26 before levelling out at around 3% during the middle part of 2026.

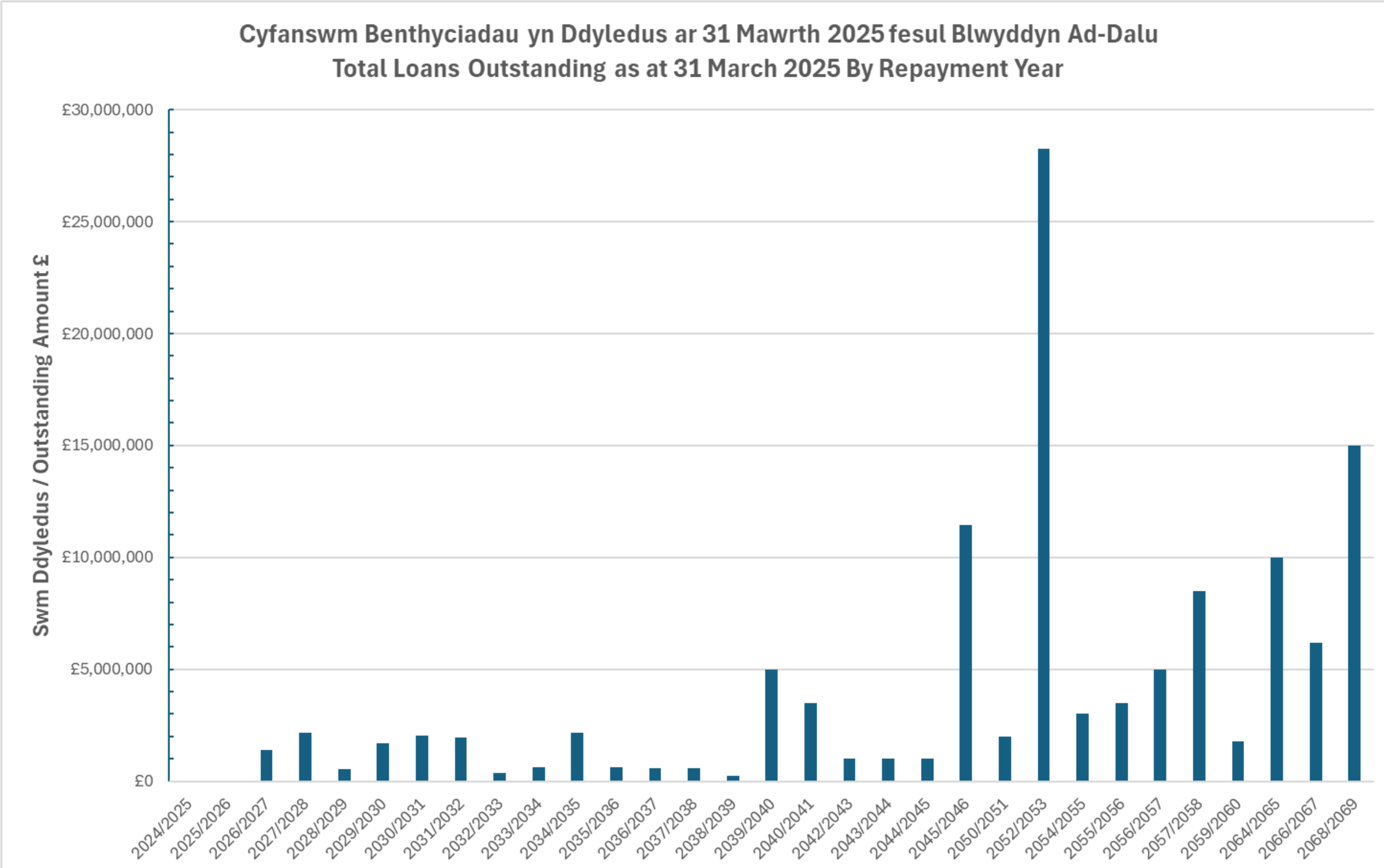
9. CONCLUSIONS

9.1. The Council's Treasury Management performance during the year was in line with the strategy of low risk, low return investments and a planned approach to borrowing designed to minimise interest charges.

9.2. The performance against the Prudential Indicators set by the Council show that the Council's Treasury Management activities are being undertaken in a controlled way which ensure the financial security of the Council and do not place the Council at any significant financial risk in terms of unaffordable or excessive borrowing.

9.3. The Council's Treasury Management Strategy and its performance against the strategy take into account the external economic factors and it is constantly reviewed to ensure that it is the most appropriate strategy moving forward.

APPENDIX 1



Cyfanswm Benthyciadau yn Ddyledus ar 31 Mawrth 2025 fesul Blwyddyn Ad-Dalu
Total Loans Outstanding as at 31 March 2025 By Repayment Year
Swm Ddyledus / Outstanding Amount £
£30,000,000
£25,000,000
£20,000,000
£15,000,000
£10,000,000
£5,000,000
£0
2024/2025
2025/2026
2026/2027
2027/2028
2028/2029
2029/2030
2030/2031
2031/2032
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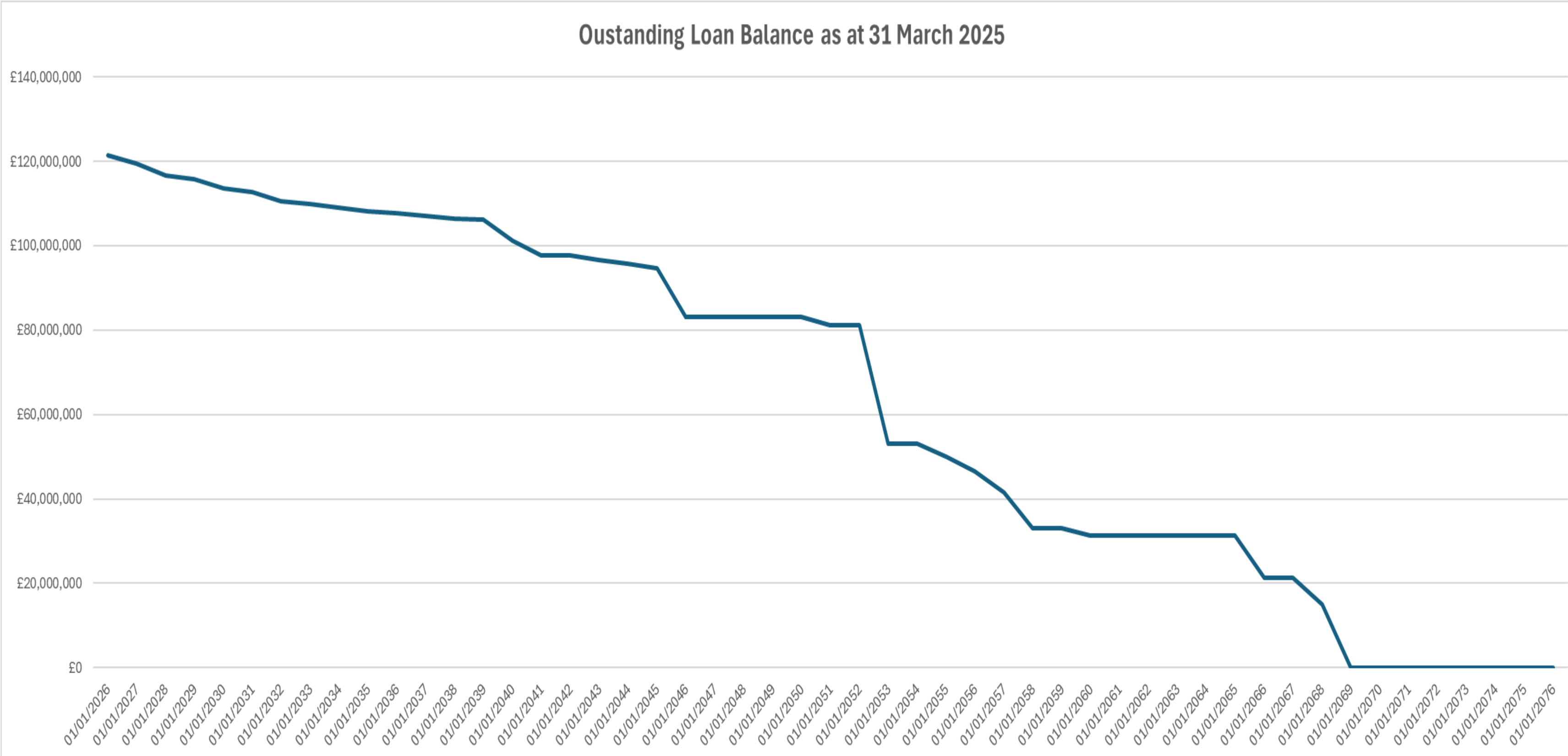
2068/2069

APPENDIX 2


Oustanding Loan Balance as at 31 March 2025
£140,000,000
£120,000,000
£100,000,000
£80,000,000
£60,000,000
£40,000,000
£20,000,000
£0
01/01/2026
01/01/2027
01/01/2028
01/01/2029
01/01/2030
01/01/2031
01/01/2032
01/01/2033
01/01/2034
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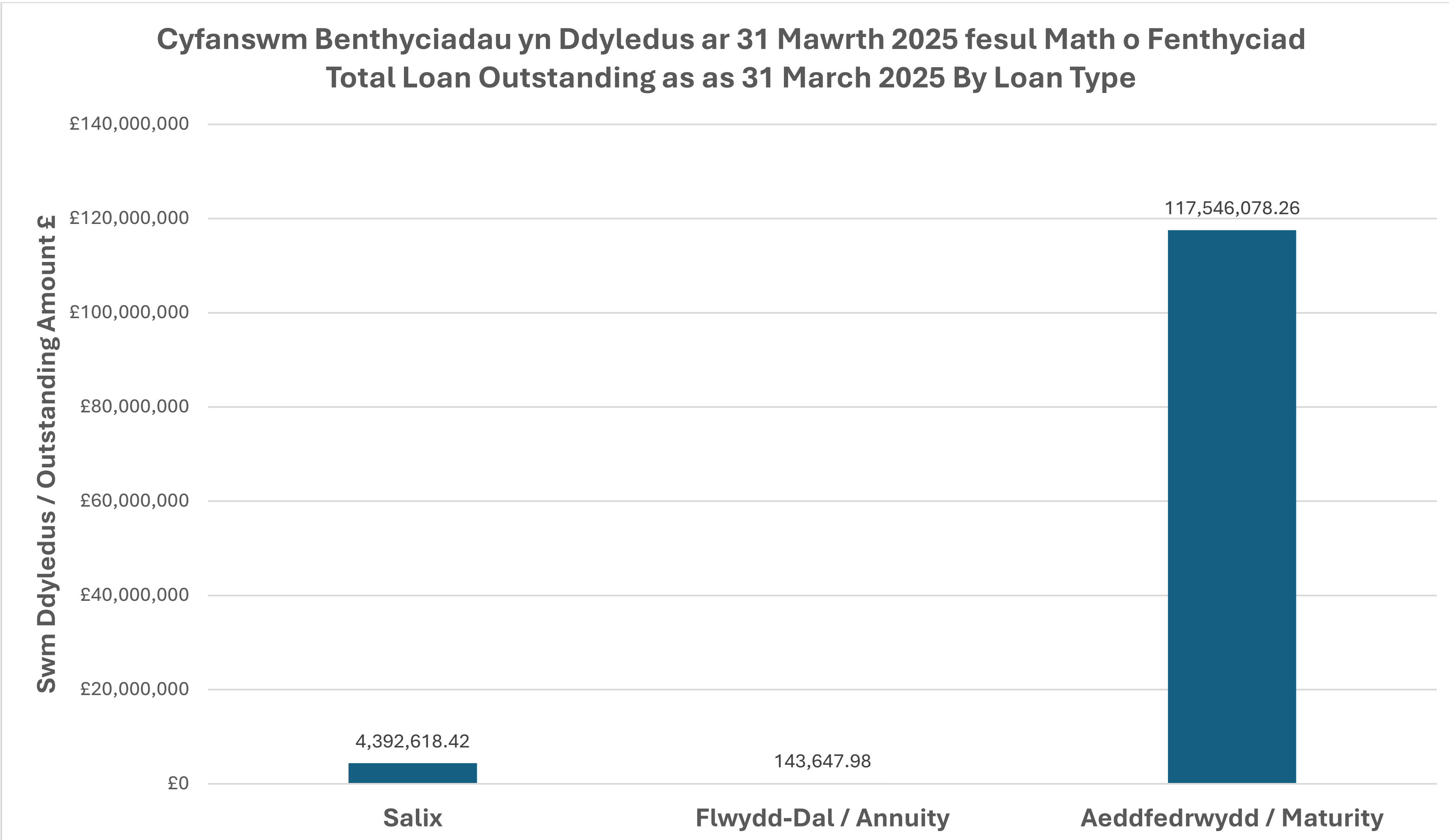
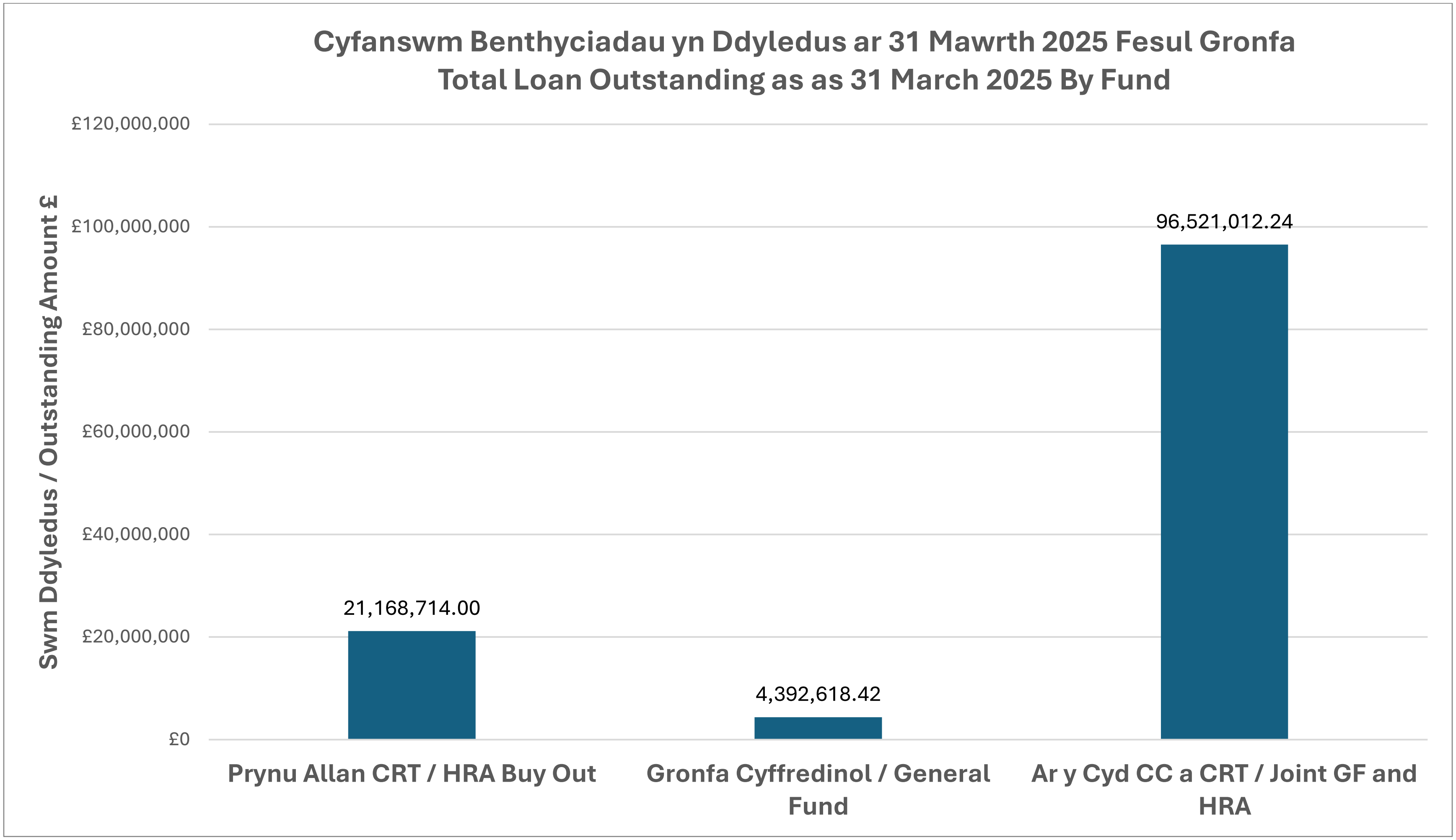
01/01/2076

APPENDIX 3

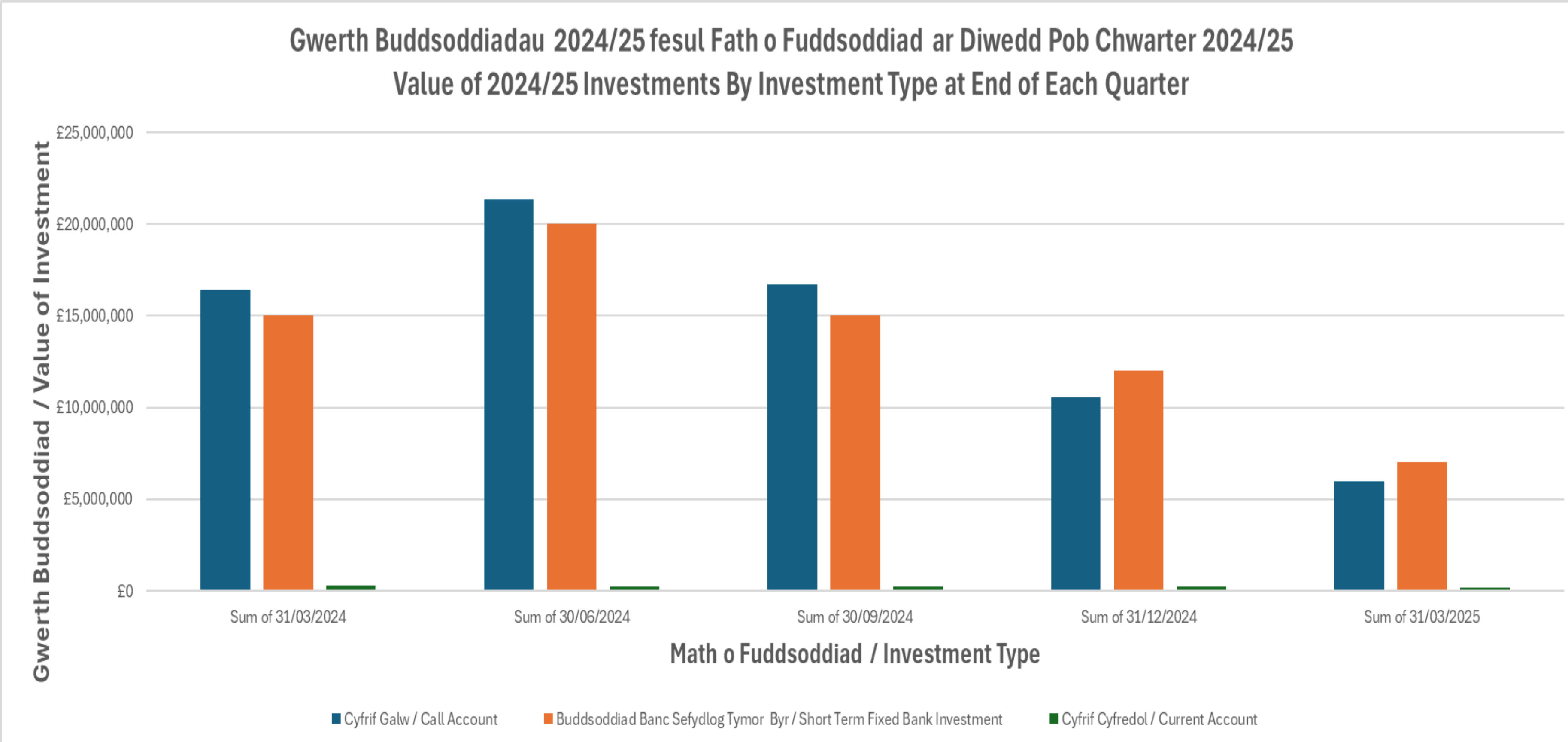

Cyfanswm Benthyciadau yn Ddyledus ar 31 Mawrth 2025 fesul Math o Fenthyciad
Total Loan Outstanding as as 31 March 2025 By Loan Type
Swm Ddyledus / Outstanding Amount £
£140,000,000
£120,000,000
£100,000,000
£80,000,000
£60,000,000
£40,000,000
£20,000,000
£0
4,392,618.42
143,647.98
117,546,078.26
Salix
Flwydd-Dal / Annuity
Aeddfedrwydd / Maturity

APPENDIX 4

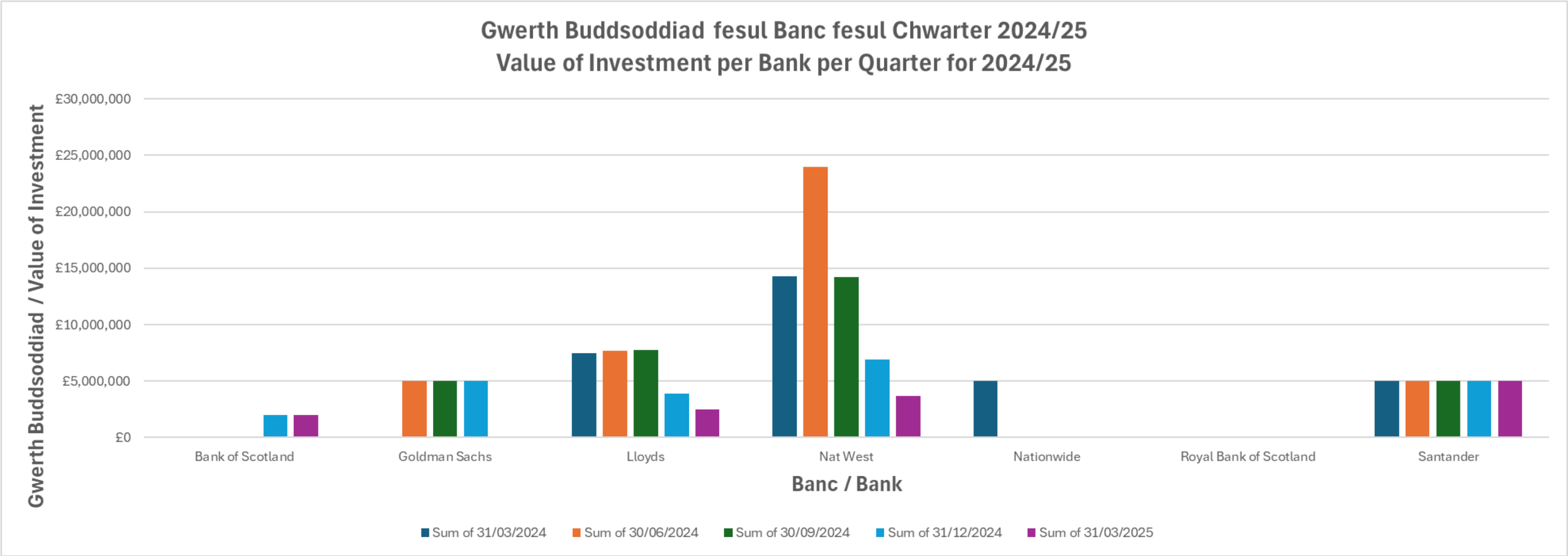


Cyfanswm Benthyciadau yn Ddyledus ar 31 Mawrth 2025 Fesul Gronfa
Total Loan Outstanding as as 31 March 2025 By Fund
Swm Ddyledus / Outstanding Amount £
£120,000,000
£100,000,000
£80,000,000
£60,000,000
£40,000,000
£20,000,000
£0
21,168,714.00
4,392,618.42
96,521,012.24
Prynu Allan CRT / HRA Buy Out
Gronfa Cyffredinol / General Fund
Ar y Cyd CC a CRT / Joint GF and HRA

APPENDIX 5


Gwerth Buddsoddiadau 2024/25 fesul Fath o Fuddsoddiad ar Diwedd Pob Chwarter 2024/25
Value of 2024/25 Investments By Investment Type at End of Each Quarter
Gwerth Buddsoddiad / Value of Investment
£25,000,000
£20,000,000
£15,000,000
£10,000,000
£5,000,000
£0
Sum of 31/03/2024
Sum of 30/06/2024
Sum of 30/09/2024
Sum of 31/12/2024
Sum of 31/03/2025
Math o Fuddsoddiad / Investment Type
Cyfrif Galw / Call Account
Buddsoddiad Banc Sefydlog Tymor Byr / Short Term Fixed Bank Investment
Cyfrif Cyfredol / Current Account

APPENDIX 6


Gwerth Buddsoddiad fesul Banc fesul Chwarter 2024/25
Value of Investment per Bank per Quarter for 2024/25
Gwerth Buddsoddiad / Value of Investment
£30,000,000
£25,000,000
£20,000,000
£15,000,000
£10,000,000
£5,000,000
£0
Bank of Scotland
Goldman Sachs
Lloyds
Nat West
Nationwide
Royal Bank of Scotland
Santander
Banc / Bank
Sum of 31/03/2024
Sum of 30/06/2024
Sum of 30/09/2024
Sum of 31/12/2024
Sum of 31/03/2025