

# LONDON BOROUGH OF HAMMERSMITH & FULHAM

**Report to:** Cabinet

**Date:** 15/09/2025

**Subject:** Treasury Management Outturn Report 2024/25

**Report of:** Phil Triggs, Director of Treasury & Pensions

**Report author:** Sophie Green, Treasury Manager

**Responsible Director:** Sukvinder Kalsi, Executive Director for Finance and Corporate Services

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## SUMMARY

This report sets out the Council's Treasury Management Outturn for 2024/25 and is in line with the Council's Treasury Management Strategy Statement (TMSS) (as approved by Council on 12 February 2024). The details are subject to external audit review and this report will also be presented to Audit Committee in September (in line with governance and regulatory requirements).

All local authorities were operating in a very challenging strategic financial environment during 2024/25 (continuing market uncertainty on interest rates and inflation). The Council operated within the Treasury Limits and Prudential Indicators during 2024/25 and met all its prudential indicators.

During 2024/25, the Council repaid £16m in loans across the PWLB and community municipal investment (CMI) and borrowed a further £35m. This increased borrowing from £269m to £288m and the average interest rate from 3.72% to 3.75%. It issued tranches 2 and 3 of the Hammersmith & Fulham Green Investment, which raised £1.5m for local climate projects.

Cash balances were £44.2m at 31 March 2025 (lower than 31 March 2024). These funds were kept liquid in Money Market Funds. The average interest rate also dropped from 5.62% to 4.75%, as the Bank Rate also reduced throughout the year.

The Treasury limits and Prudential indicators are set out in the TMSS as approved by Council on 12 February 2024.

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## RECOMMENDATIONS

1. To note the Treasury Management Outturn Report for 2024/25.

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**Wards Affected:** None

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| <b>Our Values</b>                      | <b>Summary of how this report aligns to the H&amp;F Values</b>                                                          |
|----------------------------------------|-------------------------------------------------------------------------------------------------------------------------|
| Being ruthlessly financially efficient | Ensuring an optimum borrowing and investment strategy in line with the Council's Treasury Management Strategy Statement |

## **Financial Impact**

This report is wholly of a financial nature.

*Phil Triggs, Director of Treasury and Pensions, 24<sup>th</sup> June 2025*

*Verified by Sukvinder Kalsi, Executive Director of Finance and Corporate Services, 30<sup>th</sup> June 2025*

## **Legal Implications**

There are no legal implications in respect of this report.

*Grant Deg, Director of Legal Services, 14<sup>th</sup> July 2025*

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## **Background Papers Used in Preparing This Report**

Treasury Management Strategy Statement 2024/25 (approved by Council on 12 February 2024)

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## **DETAILED ANALYSIS**

### **Proposals and Analysis of Options**

#### **Background and Treasury Position**

1. Treasury management in this context is defined as:

“The management of the Council's investments and 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.”

2. This annual treasury report covers:

- the treasury position as at 31 March 2025;
- the borrowing strategy for 2022/25;
- the borrowing outturn for 2024/25;
- compliance with treasury limits and prudential indicators;
- investment strategy for 2024/25; and
- investment outturn for 2024/25.

3. The Council's debt, all held with the Public Works Loan Board (PWLB), with the exception of a £1.5m community municipal investment (CMI), and investment positions at the beginning and end of the 2024/25 year were as follows:

|                               | 31 March<br>2024 (£m) | Rate<br>(%) | 31 March<br>2025 (£m) | Rate<br>(%) |
|-------------------------------|-----------------------|-------------|-----------------------|-------------|
| General Fund (GF)             | 53.7                  | 3.69        | 50.9                  | 3.63        |
| Housing Revenue Account (HRA) | 215.5                 | 3.73        | 237.4                 | 3.78        |
| <b>Total Borrowing</b>        | <b>269.2</b>          | <b>3.72</b> | <b>288.3</b>          | <b>3.75</b> |
| Total Cash Invested           | 159.3                 | 5.62        | 44.2                  | 4.75        |
| <b>Net Cash Invested</b>      | <b>(109.9)</b>        |             | <b>(244.1)</b>        |             |

4. The table below shows the allocation of interest paid and received during the year 2024/25:

|                                      | Interest Paid<br>(£m) | Interest<br>Received<br>(£m) | Net (£m)      |
|--------------------------------------|-----------------------|------------------------------|---------------|
| <b>General Fund (GF)</b>             |                       |                              |               |
| External Interest                    | 2.3                   | (7.2)                        | (4.9)         |
| Internal Interest                    | 1.8                   | (8.1)                        | (6.3)         |
| Other*                               | 0.0                   | (0.2)                        | (0.2)         |
| <b>GF Total</b>                      | <b>4.1</b>            | <b>(15.5)</b>                | <b>(11.4)</b> |
| <b>Housing Revenue Account (HRA)</b> |                       |                              |               |
| External Interest                    | 7.7                   | (0.0)                        | 7.7           |
| Internal Interest                    | 8.1                   | (1.8)                        | 6.3           |
| <b>HRA Total</b>                     | <b>15.8</b>           | <b>(1.8)</b>                 | <b>14.0</b>   |

\* Other – interest paid on balances held for other deposits such as Wormwood Scrubs and rent deposit.

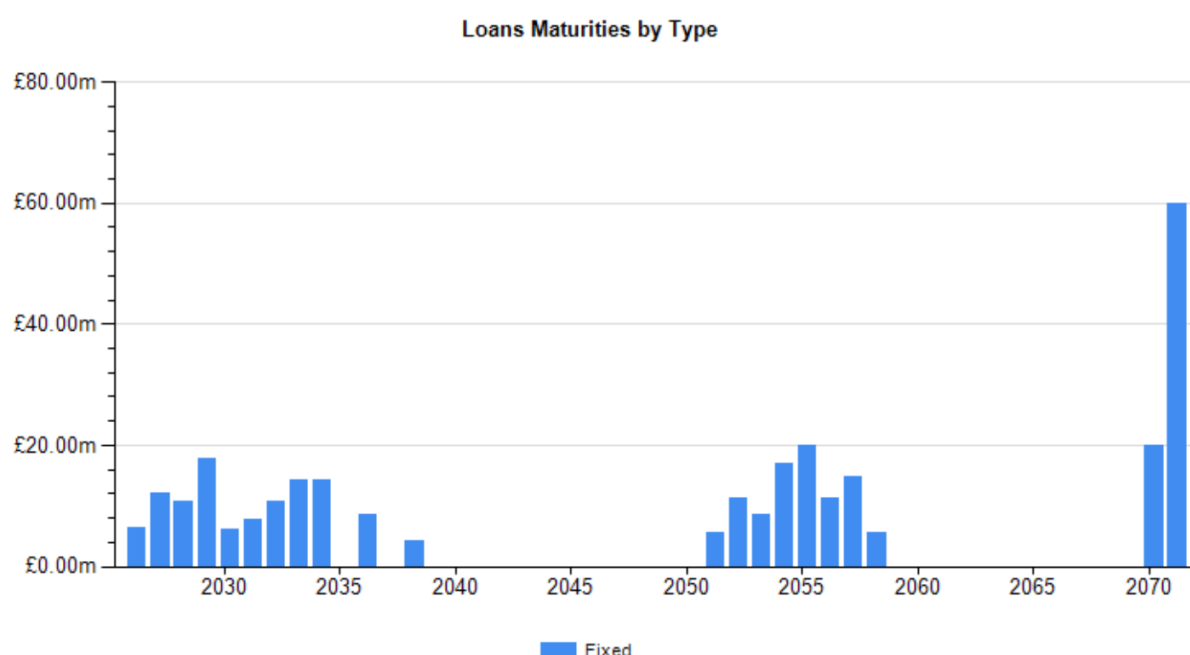
5. The Housing Revenue Account (HRA) is responsible for servicing 82.4% of the Council's external debt and the General Fund is responsible for the remaining 17.6%.
6. The table below shows the split of investments by duration as at 31 March 2025:

| Maturity Period | Fixed (£m)  | MMF (£m)    | Total (£m)  |
|-----------------|-------------|-------------|-------------|
| Liquidity       | 0.0         | 34.2        | <b>34.2</b> |
| < 1 Month       | 10.0        | 0.0         | <b>10.0</b> |
| 1 – 3 Months    | 0.0         | 0.0         | <b>0.0</b>  |
| 3 – 6 Months    | 0.0         | 0.0         | <b>0.0</b>  |
| 6 – 12 Months   | 0.0         | 0.0         | <b>0.0</b>  |
| <b>Total</b>    | <b>10.0</b> | <b>34.2</b> | <b>44.2</b> |

7. The TMSS kept investments short-term and invested with highly rated or UK Government backed institutions, resulting in lower returns compared to borrowing rates.

### Treasury Borrowing

8. During the year, the Council repaid £16m in loans across the PWLB and CML. The Council also took out £35m of loans with the PWLB. This took borrowing from £269m at the beginning of the financial year to £288m at the end.
9. All of the Council's loans are at a fixed rate of interest. The table below shows the debt profile as at 31 March 2025:



10. In 2024/25, the HRA PWLB debt of £237million remained below the HRA Capital Financing Requirement (CFR) of £459 million, which generates internal borrowing of £222 million. This difference does not exceed the value of HRA working balances. HRA reserves and working capital, in excess of the internal borrowing, represent cash balances on which interest is allocated from the General Fund.
11. As at 31 March 2025, the Council had an under-borrowed position. This means that past and future capital expenditure is not fully funded by capital resources, with the balance instead being financed by cash reserves (known as internal borrowing).

**Closing Capital Financing Requirement analysed between General Fund and Housing Revenue Account**

|                                                         | <b>31 March<br/>2024<br/>CFR<br/><br/>£m</b> | <b>31 March<br/>2024<br/>External<br/>Debt<br/>£m</b> | <b>31 March<br/>2025<br/>CFR<br/><br/>£m</b> | <b>31 March<br/>2025<br/>External<br/>Debt<br/>£m</b> |
|---------------------------------------------------------|----------------------------------------------|-------------------------------------------------------|----------------------------------------------|-------------------------------------------------------|
| GF CFR (Excluding DSG funded Schools Windows borrowing) | 163.1                                        | 0.0                                                   | 205.6                                        | 0.0                                                   |
| GF CFR (DSG funded Schools Windows borrowing)           | 88.3                                         | 0.0                                                   | 85.4                                         | 0.0                                                   |
| <b>Total GF Headline CFR</b>                            | <b>251.4</b>                                 | <b>0.0</b>                                            | <b>291.0</b>                                 | <b>0.0</b>                                            |
| Finance leases/PFI                                      | 14.3                                         | 0.0                                                   | 16.8                                         | 0.0                                                   |
| <b>GF Closing Total</b>                                 | <b>265.7</b>                                 | <b>53.8</b>                                           | <b>307.8</b>                                 | <b>50.9</b>                                           |
| HRA Closing Total                                       | 348.3                                        | 0.0                                                   | 458.9                                        | 0.0                                                   |
| <b>HRA CFR Total</b>                                    | <b>348.3</b>                                 | <b>215.4</b>                                          | <b>458.9</b>                                 | <b>237.4</b>                                          |
| <b>Total CFR/External Debt</b>                          | <b>614.0</b>                                 | <b>269.2</b>                                          | <b>766.7</b>                                 | <b>288.3</b>                                          |

### Treasury Investments

12. At 31 March 2025, the Council held £10million of its treasury investment portfolio in fixed term deposits with local authorities.
13. The TMSS allowed investment in the following areas:
  - An unlimited investment limit with the UK Government (DMO) deposits, UK gilts, repos and treasury bills;
  - Up to a maximum of £50 million per counterparty in supra-national banks, European agencies and covered bonds debt on a buy to hold basis with maturity dates of up to five years, and the Greater London Authority (GLA) bonds for up to three years;
  - A limit of £30 million to be invested with any UK Local Authority (subject to internal counterparty approval by the Director of Treasury and Pensions and Director of Finance);
  - No more than £45 million to be invested with any individual Money Market Fund;
  - Any financial instrument held with a UK bank limited to £70 million depending on the credit rating and Government ownership above 25% (limit of £50 million);
  - Any financial instrument held with a non-UK bank limited to £50 million.
14. The investments outstanding at 31 March 2025 amounted to £44.2 million invested in short-term deposits. This compares with £159.3 million short-term investments at 31 March 2024.
15. The table below provides an analysis of the cash deposits, together with comparisons from the previous year:

|                    | <b>31 March<br/>2024<br/>£m</b> | <b>31 March<br/>2025<br/>£m</b> |
|--------------------|---------------------------------|---------------------------------|
| Money Market Funds | 42.3                            | 34.2                            |

|               |              |             |
|---------------|--------------|-------------|
| Term Deposits | 117.0        | 10.0        |
| <b>Total</b>  | <b>159.3</b> | <b>44.2</b> |

16. During 2024/25 cash balances varied between £50million and £166million reflecting the timing of the Council's income (council tax, national non-domestic rates, government grants and capital receipts, etc) and expenditure (precept payments, payroll costs, supplier payments and capital projects).
17. The average return achieved on investments managed internally for the year was 5.22% compared with the average 7-day money market rate (uncompounded) of 4.91%. Interest rates were steady throughout the year with the Council following a low risk strategy and avoiding potentially higher returns which would increase counterparty risk.

### Inflation Rates

18. The below table shows the movement in inflation rates throughout the 2024/25 financial year.

|      |     | CPIH<br>Index<br>(UK, 2015<br>= 100) | CPIH<br>12-<br>month<br>rate (%) | CPIH<br>1-<br>month<br>rate (%) | CPI Index<br>(UK, 2015<br>=100) | CPI 12-<br>month<br>rate (%) |
|------|-----|--------------------------------------|----------------------------------|---------------------------------|---------------------------------|------------------------------|
| 2024 | Mar | 131.6                                | 3.8                              | 0.6                             | 133.0                           | 3.2                          |
|      | Apr | 132.2                                | 3.0                              | 0.5                             | 133.5                           | 2.3                          |
|      | May | 132.7                                | 2.8                              | 0.4                             | 133.9                           | 2.0                          |
|      | Jun | 133.0                                | 2.8                              | 0.2                             | 134.1                           | 2.0                          |
|      | Jul | 132.9                                | 3.1                              | 0.0                             | 133.8                           | 2.2                          |
|      | Aug | 133.4                                | 3.1                              | 0.4                             | 134.3                           | 2.2                          |
|      | Sep | 133.5                                | 2.6                              | 0.1                             | 134.2                           | 1.7                          |
|      | Oct | 134.3                                | 3.2                              | 0.6                             | 135.0                           | 2.3                          |
|      | Nov | 134.6                                | 3.5                              | 0.2                             | 135.1                           | 2.6                          |
|      | Dec | 135.1                                | 3.5                              | 0.3                             | 135.6                           | 2.5                          |
|      | Jan | 135.1                                | 3.9                              | 0.0                             | 135.4                           | 3.0                          |
|      | Feb | 135.6                                | 3.7                              | 0.4                             | 136.0                           | 2.8                          |
|      | Mar | 136.1                                | 3.4                              | 0.3                             | 136.5                           | 2.6                          |

Source: Consumer price inflation from the Office for National Statistics

### Prudential Indicators

19. During the year the Council operated within the Treasury Limits and Prudential Indicators set out in the TMSS approved by Council on 12 February 2024.
20. The table below provides a breakdown of the indicators and actual position for the year ending 31 March 2025:

| Indicator                                              | 2024/25<br>Approved Limit | 2024/25 Actual | Indicator<br>Met? |
|--------------------------------------------------------|---------------------------|----------------|-------------------|
| Capital Financing Requirement                          | £784m                     | £767m          | Met               |
| Authorised Limit for external debt <sup>[1]</sup>      | £850m                     |                |                   |
| External borrowing                                     |                           | £288m          |                   |
| Other long-term liabilities                            |                           | £30m           | Met               |
| Gross debt                                             |                           | £318m          |                   |
| Operational Debt Boundary <sup>[2]</sup>               | £805m                     | £318m          | Met               |
| Capital Expenditure                                    | £264m                     | £235m          | Met               |
| Working capital balance                                | £0m                       | £0m            | Met               |
| Limit on surplus funds invested for more than 364 days | £120m                     | £0m            | Met               |

| Maturity Structure of Borrowing | Minimum | Maximum | Actual | Indicator Met? |
|---------------------------------|---------|---------|--------|----------------|
| Under 12 Months                 | 0%      | 15%     | 2%     | Met            |
| 12 Mths to within 24 Mths       | 0%      | 15%     | 4%     | Met            |
| 24 Mths to within 5 years       | 0%      | 60%     | 12%    | Met            |
| 5 years to within 10 years      | 0%      | 75%     | 16%    | Met            |
| Over 10 years                   | 0%      | 100%    | 65%    | Met            |

[1] The Authorised Limit is the maximum requirement for borrowing taking into account maturing debt, capital programme financing requirements and the ability to borrow in advance of need for up to two years.

[2] The Operational Boundary is the expected normal upper requirement for borrowing in the year.

## Reasons for Decision

21. The Council's treasury management activity is underpinned by the CIPFA Code, which recommends that members are informed of treasury management activities at least twice a year.

## Equality Implications

22. There are no direct negative implications for protected groups, under the Equality Act 2010, arising from the information presented in this report.
23. Implications completed by: Sophie Green, Treasury Manager, 24<sup>th</sup> June 2025.

## Risk Management Implications

24. The purpose of this report is to present the Council's annual Treasury Management Outturn Report for 2024/25 in accordance with the Council's

treasury management practices. The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities is measured. Risk levels were set in accordance with the approved Treasury Management Strategy Statement.

25. The Council continues to recognise that effective treasury management provides support towards the achievement of its business and service objectives, specifically, being ruthlessly financially efficient. The identification, monitoring and control of risks are central to the achievement of the treasury objectives. Potential risks are identified, mitigated and monitored in accordance with treasury practice.
26. Implications verified by: David Hughes, Director of Audit, Risk and Fraud, 24<sup>th</sup> June 2025.

### **Procurement implications**

27. There are no procurement implications arising from the information presented in this report.

### **Consultation**

None.

### **LIST OF APPENDICES**

NONE.