

REPORT TO: **AUDIT AND GOVERNANCE COMMITTEE**

MEETING DATE: 17 June 2025

BY: Executive Director for Council Resources

SUBJECT: Annual Treasury Management Review 2024-25

1 PURPOSE

- 1.1 To update the Committee on Treasury Management activity during financial year 2024-25.

2 RECOMMENDATIONS

- 2.1 Members are asked to note the report.

3 BACKGROUND

- 3.1 The Council is required by regulations issued under the Local Government Scotland Act 2003 to produce an Annual Treasury Management Review, in accordance with the CIPFA Treasury Management Code of Practice and Prudential Code.
- 3.2 The review set out in **Appendix 1** updates members on the Treasury Management activity during 2024-25 and reported relative to the indicators set out in the Treasury Management Strategy approved in February 2024. The figures contained within the report are based on the draft unaudited accounts, and therefore remain subject to change during the course of the audit. Members will be kept informed should there be any significant change arising during this period.

4 POLICY IMPLICATIONS

- 4.1 There are no direct policy implications associated with this report; however the council's treasury management activity is determined by the policy framework set out in the approved Treasury Management Strategy.

5 INTEGRATED IMPACT ASSESSMENT

- 5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

6 RESOURCE IMPLICATIONS

- 6.1 Financial – There are no direct financial implications associated with this report however the Council's Treasury Management activity clearly has a significant impact on the management of the Council's financial resources.
- 6.2 Personnel - none
- 6.3 Other - none

7 BACKGROUND PAPERS

- 7.1 Treasury Management Strategy 2024-25 to 2028-29 – East Lothian Council 20 February 2024.
- 7.2 Treasury Management Mid-Year Review 2024-25 – Audit & Governance 17 December 2024.

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DATE	06 June 2025



Annual Treasury Management Review 2024-25

Annual Treasury Management Review 2024-25

1. Introduction

This Council is required by regulations issued under the Local Government in Scotland Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2024-25. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code). The review is based on figures contained within the draft unaudited accounts and should any significant and material changes arise during the course of the audit, updated information will be made available and communicated to members.

The minimum Treasury Management reporting requirements are that members of the Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 20 February 2024)
- a report on performance against all forward-looking indicators at least quarterly as part of the authority's integrated revenue and capital monitoring
- a mid-year (minimum) treasury update report (Audit and Governance 17 December 2024)
- an annual review following the end of the year describing the activity compared to the strategy (this report)

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

Training was provided to members by our Treasury Advisors in February 2025 to enhance their knowledge of treasury management practices and give them a deeper understanding in their role in treasury management.

The Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Audit and Governance Committee with the annual strategy approved by Council.

2. The Council's Capital Expenditure and Financing

The Council undertakes capital expenditure on long-term assets. These activities may either be financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), with expenditure in excess of these resources giving rise to a borrowing need.

The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed. The results from 2023-24 are shown for illustrative purposes.

	2023/24 Actual £'000	2024/25 Budget £'000	2024/25 Outturn £'000
General Services			
Capital expenditure	51,589	117,196	91,921
Financed in year	(29,243)	(66,650)	(56,206)
Net Borrowing Need for the Year	22,346	50,546	35,715
HRA			
Capital expenditure	42,849	31,579	32,471
Financed in year	(11,788)	(2,396)	(5,913)
Net Borrowing Need for the Year	31,061	29,183	26,558
Total Net Borrowing Need for the Year	53,408	79,729	62,273

3. The Council's Overall Borrowing Need

The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR).

Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and deemed 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 (2023-24) plus the estimates of any additional capital financing requirement for the current (2024-25) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure but allows the Council some flexibility to borrow in advance of its immediate capital needs if required.

The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

	31 March 2024 Actual £'000	31 March 2025 Budget £'000	31 March 2025 Outturn £'000
General Services			
CFR	313,376	365,070	342,283
Gross borrowing position	267,201	310,907	304,529
(Under) / over funding of CFR	(46,175)	(54,164)	(37,754)
HRA			
CFR	265,745	291,180	286,472
Gross borrowing position	226,589	247,979	254,874
(Under) / over funding of CFR	(39,156)	(43,201)	(31,598)

The use of fiscal flexibility for PPP assets has created a difference between the external borrowing position and the CFR (previously these were equal). An under-borrowing has been created and will change annually. The PPP CFR reflects the new profile for repayment. The under-borrowing is created when comparing this to the

balance outstanding on the PPP contract. The CFR has also increased due to the inclusion of Right of Use Assets as required by IFRS 16. The budget for 2024/25 was set before the decision to make use of the PPP Flexibility and the recognition of the Right of Use Assets

	31 March 2024 Actual £'000	31 March 2025 Budget £'000	31 March 2025 Actual £'000
PPP/Leases /Right of Use Assets			
CFR	45,919	29,104	54,102
Outstanding Debt	30,688	29,104	37,712
(Under) / over funding of CFR	(15,231)	-	(16,390)

4. Treasury Position as of 31 March 2025

At the beginning and the end of 2024-25 the Council's treasury position (excluding borrowing by PPP ,finance leases and Right of Use Assets), was as follows:

£'000	31 March 2024 Principal	Rate/ Return	Average Life yrs	31 March 2025 Principal	Rate/ Return	Average Life yrs
CFR	579,120			628,755		
Over / (under) borrowing	(85,331)			(69,353)		
Total debt	493,789	3.36%	25	559,402	3.36%	22
Total investments	22,903	2.58%	6	25,506	2.78%	5
Net debt	470,886			533,896		

- **The authorised limit** - the Council has kept within its authorised external borrowing limit as shown in the table below.
- **The operational boundary** – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached. This indicator is set at the start of the financial year and is as per the Treasury Strategy.

	2023-24 Actual £m	2024-25 Budget £m	2024-25 Actual £m
Authorised limit	636	726	708
External Debt	494	559	559
Operational Boundary	594	656	645

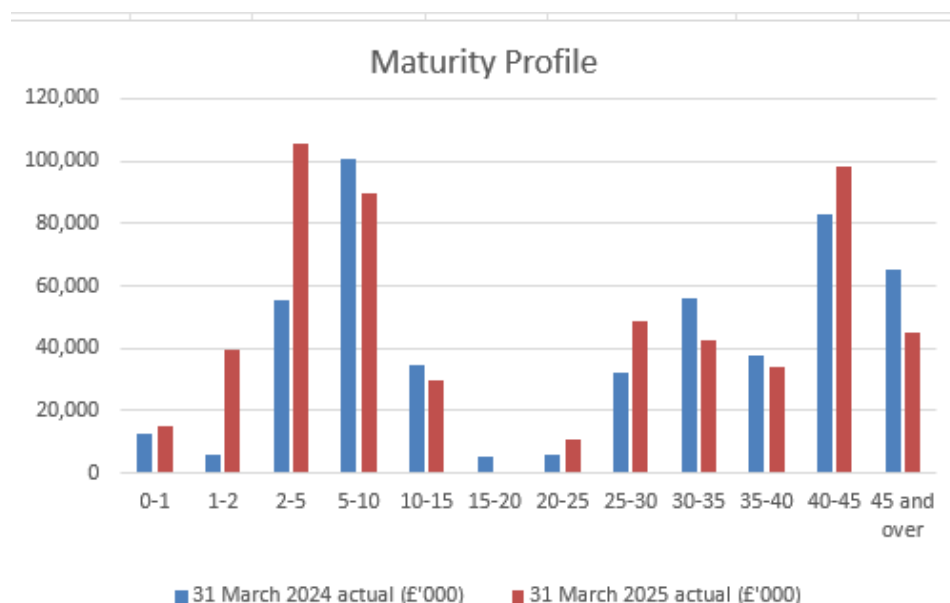
As of 31 March 2025 the average interest rate for all external debt was 3.18% (3.36% as of 31 March 2024). The average life across all loans is 22 years (25 years as of 31 March 2024).

The maturity structure and profile of the debt portfolio is set out in the tables below:

	31-Mar-24 Actual £m	(Paid) or New Loan* 2024-25 £m	31-Mar-25 Actual £m	Net movement** 2024-25 £m
Under 12 months	12.81	-12.81	15.11	2.31
12 months and within 24 months	5.73	9.39	39.63	33.90
24 months and within 5 years	55.70	43.18	105.90	50.20
5 years and within 10 years	100.75	20.71	89.96	-10.79
10 years and within 15 years	34.50	5.15	29.51	-5.00
15 years and within 20 years	5.00		0.00	-5.00
20 years and within 25 years	5.90		10.90	5.00
25 years and within 30 years	32.00		49.00	17.00
30 years and within 35 years	56.00		42.50	-13.50
35 years and within 40 years	37.40		33.90	-3.50
40 years and within 45 years	83.00		98.00	15.00
45 years and over	65.00		45.00	-20.00
Total	493.79	65.62	559.41	65.62

* More detail on this is set out in Section 6 below

** Net movement shows the change between the maturity bands for existing loans



5. The strategy for 2024-25

5.1 Investment strategy and control of interest rate risk

The Council's approved investment strategy prioritises security, liquidity and then return. The Council adopts a prudent approach to managing risk and followed the approved 2024-25 Strategy where investments were only considered where the type of investment and exposure to risk was low or very low. Limits were set for fixed and variable interest rate exposure which were not exceeded during the year.

Investment returns decreased in 2024-25 as the Bank of England responded a reduction in inflationary pressures, meaning that ongoing tighter monetary policy was not required.

5.2 Borrowing strategy and control of interest rate risk

During 2024/25, the Authority maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as although near-term investment rates were equal to, and sometimes higher than, long-term borrowing costs, the latter are expected to fall back through 2025 and 2026 in the light of economic growth concerns and the eventual dampening of inflation. The Council has sought to minimise the taking on of long-term borrowing at elevated levels (>5%) and has focused on a policy of internal, short-dated borrowing (<5 years) and longer borrowing where Equal Instalments of Principal are made as appropriate.

The policy of avoiding new borrowing where possible by close monitoring of cash balances is kept under continual review to avoid incurring higher borrowing costs in the future when the Council may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

Interest rate forecasts initially suggested gradual reductions in short, medium and longer-term fixed borrowing rates during 2024/25. Bank Rate did peak at 5.25% as anticipated, but the initial expectation of significant rate reductions did not transpire, primarily because inflation concerns remained elevated.

Bank Rate reduced steadily through the course of the financial year (three 0.25% rate cuts in August, November and February) bringing the headline rate down from 5.25% to 4.5%. Commentators anticipate a growing risk of a US recession, whilst UK GDP is projected by the Office for Budget Responsibility to remain tepid, perhaps achieving 1% GDP growth in 2025/26. The CPI measure of inflation is expected to reach 3.75% by the autumn of 2025, which could provide for some pressure on the Bank whose primary mandate is to ensure inflation is close to 2% on a two-to-three-year timeframe. Although markets currently expect three Bank Rate reductions between May and December 2025 (Bank Rate to fall to 3.75%).

Forecasts from our Treasury advisors at the beginning of February 2025 suggest interest rates will fall slightly during 2025-26 and continue to gradually reduce over the following year before settling at 3.50%. This remains a very challenging position, and the forecast and planning of borrowing will remain under review during 2025-26 and beyond.

MUFG Corporate Markets Interest Rate View 10.02.25													
	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28
BANK RATE	4.50	4.25	4.25	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50	3.50
3 month ave earnings	4.50	4.30	4.30	4.00	3.80	3.80	3.50	3.50	3.50	3.50	3.50	3.50	3.50
6 month ave earnings	4.40	4.20	4.20	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.50	3.50	3.50
12 month ave earnings	4.40	4.20	4.20	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.50	3.50	3.60
5 yr PWLB	5.00	4.90	4.80	4.70	4.60	4.50	4.40	4.40	4.30	4.20	4.20	4.10	4.00
10 yr PWLB	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.70	4.60	4.50	4.50	4.40	4.40
25 yr PWLB	5.80	5.70	5.60	5.50	5.40	5.30	5.20	5.10	5.00	5.00	4.90	4.90	4.80
50 yr PWLB	5.50	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.70	4.60	4.60	4.50

PWLB rates are based on gilts (UK Government bonds) yields through H.M.Treasury who determine a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, the ongoing impact of the Ukraine war, inflationary pressures (especially energy and food) and labour market factors.

The margins over gilt yields are:

- **PWLB Standard Rate** - gilt plus 100 basis points
- **PWLB Certainty Rate** - gilt plus 80 basis points
- **PWLB HRA Standard Rate** - gilt plus 100 basis points
- **PWLB HRA Certainty Rate** - gilt plus 80 basis points
- **Local Infrastructure Rate** - gilt plus 60 basis points

There is likely to be a fall in gilt yields and PWLB rates across the whole curve over the next one to two years as Bank Rate falls and inflation (on the Consumer Price Index (CPI) measure) moves lower.

High/Low/Average PWLB Rates during 2024-25 over indicative borrowing terms:

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.77%	4.31%	4.52%	5.08%	4.88%
Date	26/02/2025	17/09/2024	17/09/2024	17/09/2024	17/09/2024
High	5.61%	5.34%	5.71%	6.18%	5.88%
Date	29/05/2024	13/01/2025	13/01/2025	13/01/2025	09/01/2025
Average	5.14%	4.86%	5.07%	5.56%	5.32%
Spread	0.84%	1.03%	1.19%	1.10%	1.00%

5. Borrowing Activity during 2024-25

Borrowing – the following loans were taken during the year:-

Lender	Principal £m	Type	Interest Rate	Maturity	Date
PWLB	10	EIP	4.19%	11 Years	02/04/2024
PWLB	5	Fixed interest rate	4.19%	6 years	02/04/2024
PWLB	15	EIP	4.37%	11 years	25/09/2024
PWLB	10	EIP	3.97%	11 years	25/09/2024
PWLB	15	Fixed interest rate	4.63%	2.5 years	25/09/2024
PWLB	20	EIP	4.92%	3.5 years	07/02/2025
PWLB	5	EIP	4.81%	6 years	27/03/2025
Total	80				

As PWLB rates have remained at an elevated level during 2024-25 the Council has, in conjunction with our Treasury advisors decided to undertake borrowing at shorter durations than in recent preceding years as well as repaying principle in instalments over the period of the loan. This is to lessen interest costs in future as per Section 5.2 above, as interest rates are expected to reduce in the coming years.

Borrowing in advance of need

The Council has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed.

Rescheduling

No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

Repayments

The following loans were repaid in full during the year:-

Lender	Principal £m	Type	Interest Rate	Maturity	Date
PWLB	3.5	Fixed Interest rate	3.09%	12 years	21/09/2024
PWLB	3.5	Fixed Interest rate	3.09%	12 years	24/09/2024
PWLB	0.64	Fixed interest rate	8.25%	29 years	28/09/2024
Total	7.64				

Instalments of £6.74 million were also paid on 12 loans which are payable as an Annuity or EIP (equal instalments of principal) basis rather than on maturity.

6. Investment Activity for 2024-25

Investment Policy

The Council's investment policy is governed by Scottish Government investment regulations which have been implemented in the annual investment strategy approved by the Council on 20 February 2024. This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).

The investment activity during the year conformed to the approved strategy as set.

Investments held by the Council

During 2024-25 and in accordance with the approved strategy 23 short term investments were made and repaid. Any other surplus cash balances were held in the Council's bank account, which is an interest bearing account.

Investment with	Principal £m	Interest Rate	Investment Date	Term (Days)	Interest	Date Repayable/ Repaid
DMADF (UK Government)	5.00	5.190%	08/05/2024	2	£1,421.92	10/05/2024
DMADF (UK Government)	10.00	5.190%	08/05/2024	5	£7,109.59	13/05/2024
Lloyds	5.00	5.280%	08/05/2024	33	£23,868.49	10/06/2024
DMADF (UK Government)	10.00	5.190%	11/06/2024	1	£1,421.92	12/06/2024
DMADF (UK Government)	10.00	5.190%	12/06/2024	9	£12,797.26	21/06/2024
Central Bedfordshire	5.00	5.250%	24/05/2024	31	£22,294.52	24/06/2024
DMADF (UK Government)	10.00	5.190%	26/06/2024	1	£1,421.92	27/06/2024
DMADF (UK Government)	5.00	5.190%	03/07/2024	2	£1,421.92	05/07/2024
Central Bedfordshire	5.00	5.250%	24/06/2024	14	£10,068.49	08/07/2024
DMADF (UK Government)	10.00	5.190%	09/07/2024	1	£1,421.92	10/07/2024
Lloyds	5.00	5.280%	11/06/2024	30	£21,698.63	11/07/2024
DMADF (UK Government)	10.00	5.190%	10/07/2024	2	£2,843.84	12/07/2024
DMADF (UK Government)	5.00	5.200%	01/07/2024	14	£9,972.60	15/07/2024
DMADF (UK Government)	5.00	5.190%	17/07/2024	1	£710.96	18/07/2024
DMADF (UK Government)	10.00	5.190%	12/07/2024	7	£9,953.42	19/07/2024
DMADF (UK Government)	4.00	5.190%	15/07/2024	4	£2,275.07	19/07/2024
DMADF (UK Government)	5.00	5.190%	18/07/2024	4	£2,843.84	22/07/2024
DMADF (UK Government)	5.00	5.190%	15/07/2024	14	£9,953.42	29/07/2024
DMADF (UK Government)	5.00	5.190%	22/07/2024	7	£4,976.71	29/07/2024
DMADF (UK Government)	5.00	5.190%	24/07/2024	6	£4,265.75	30/07/2024
DMADF (UK Government)	20.00	5.190%	30/07/2024	1	£2,843.84	31/07/2024
DMADF (UK Government)	20.00	5.190%	31/07/2024	1	£2,843.84	01/08/2024
Standard Chartered Sustainable	5.00	5.150%	08/05/2024	92	£64,904.11	08/08/2024
DMADF (UK Government)	6.50	4.940%	02/08/2024	6	£5,278.36	08/08/2024
Lloyds	5.00	5.250%	11/07/2024	32	£23,013.70	12/08/2024
DMADF (UK Government)	10.00	5.030%	01/08/2024	11	£15,158.90	12/08/2024
DMADF (UK Government)	8.00	4.940%	08/08/2024	4	£4,330.96	12/08/2024
DMADF (UK Government)	10.00	4.940%	12/08/2024	4	£5,413.70	16/08/2024
DMADF (UK Government)	8.00	4.940%	16/08/2024	3	£3,248.22	19/08/2024
DMADF (UK Government)	7.00	4.940%	13/08/2024	7	£6,631.78	20/08/2024
Central Bedfordshire	5.00	5.150%	22/07/2024	31	£21,869.86	22/08/2024
Monmouthshire CC	5.00	5.240%	19/06/2024	92	£66,038.36	19/09/2024
Lloyds	5.00	4.940%	12/08/2024	31	£20,978.08	12/09/2024
DMADF (UK Government)	10.00	4.940%	21/08/2024	9	£12,180.82	30/08/2024
DMADF (UK Government)	5.00	4.940%	21/08/2024	6	£4,060.27	27/08/2024
DMADF (UK Government)	5.00	4.940%	27/08/2024	2	£1,353.42	29/08/2024

DMADF (UK Government)	6.00	4.940%	28/08/2024	1	£812.05	29/08/2024
DMADF (UK Government)	10.00	4.940%	30/08/2024	7	£9,473.97	06/09/2024
DMADF (UK Government)	4.00	4.940%	04/09/2024	2	£1,082.74	06/09/2024
DMADF (UK Government)	3.00	4.940%	05/09/2024	8	£3,248.22	13/09/2024
DMADF (UK Government)	7.00	4.940%	06/09/2024	6	£5,684.38	12/09/2024
DMADF (UK Government)	1.50	4.940%	12/09/2024	0	£406.03	12/09/2024
DMADF (UK Government)	3.00	4.940%	11/09/2024	1	£406.03	12/09/2024
DMADF (UK Government)	8.00	4.940%	12/09/2024	8	£8,661.92	20/09/2024
DMADF (UK Government)	9.00	4.940%	20/09/2024	3	£3,654.25	23/09/2024
DMADF (UK Government)	9.00	4.940%	26/09/2024	1	£1,218.08	27/09/2024
Lloyds	5.00	4.950%	20/09/2024	31	£21,020.55	21/10/2024
DMADF (UK Government)	10.00	4.940%	26/09/2024	8	£10,827.40	04/10/2024
Wrexham	2.00	5.000%	27/09/2024	14	£3,835.62	11/10/2024
DMADF (UK Government)	2.00	4.940%	08/10/2024	3	£812.05	11/10/2024
LB Haringey	5.00	5.000%	30/09/2024	30	£20,547.95	30/10/2024
DMADF (UK Government)	2.00	4.840%	25/10/2024	5	£1,353.42	30/10/2024
DMADF (UK Government)	8.00	4.940%	08/10/2024	22	£23,820.27	30/10/2024
DMADF (UK Government)	4.00	4.940%	16/10/2024	2	£1,082.74	18/10/2024
DMADF (UK Government)	4.00	4.940%	22/10/2024	3	£1,624.11	25/10/2024
DMADF (UK Government)	10.00	4.940%	31/10/2024	1	£1,353.42	01/11/2024
Standard Chartered Sustainable	5.00	4.890%	08/08/2024	92	£61,627.40	08/11/2024
DMADF (UK Government)	10.00	4.940%	01/11/2024	7	£9,416.44	08/11/2024
DMADF (UK Government)	4.00	4.710%	13/11/2024	2	£1,032.33	15/11/2024
LB Barking & Dagenham	5.00	5.050%	30/09/2024	59	£40,815.07	28/11/2024
DMADF (UK Government)	2.00	4.700%	15/11/2024	3	£772.60	18/11/2024
DMADF (UK Government)	9.00	4.700%	14/11/2024	8	£9,271.23	22/11/2024
DMADF (UK Government)	1.00	4.700%	18/11/2024	4	£515.07	22/11/2024
DMADF (UK Government)	5.00	4.710%	21/11/2024	15	£9,678.08	06/12/2024
DMADF (UK Government)	7.00	4.700%	22/11/2024	3	£2,704.11	25/11/2024
DMADF (UK Government)	4.00	4.700%	25/11/2024	3	£1,545.21	28/11/2024
DMADF (UK Government)	5.00	4.700%	27/11/2024	1	£643.84	28/11/2024
DMADF (UK Government)	4.00	4.700%	28/11/2024	1	£515.07	29/11/2024
DMADF (UK Government)	6.00	4.700%	28/11/2024	4	£3,090.41	02/12/2024
DMADF (UK Government)	6.00	4.700%	29/11/2024	7	£5,408.22	06/12/2024
DMADF (UK Government)	7.00	4.700%	03/12/2024	6	£4,506.85	09/12/2024
DMADF (UK Government)	10.00	4.700%	06/12/2024	7	£9,013.70	13/12/2024
DMADF (UK Government)	3.00	4.700%	09/12/2024	10	£3,863.01	19/12/2024
DMADF (UK Government)	9.00	4.700%	13/12/2024	6	£6,953.42	19/12/2024

DMADF (UK Government)	3.00	4.700%	16/12/2024	3	£1,158.90	19/12/2024
DMADF (UK Government)	5.00	4.700%	18/12/2024	1	£643.84	19/12/2024
LB Barking & Dagenham	5.00	5.050%	28/11/2024	21	£14,527.40	19/12/2024
NE Lincs	5.00	4.900%	30/09/2024	59	£39,602.74	28/11/2024
Lloyds	5.00	4.840%	22/10/2024	31	£20,553.42	22/11/2024
DMADF (UK Government)	10.00	4.700%	19/12/2024	1	£1,287.67	20/12/2024
DMADF (UK Government)	10.00	4.700%	03/01/2025	7	£9,013.70	10/01/2025
DMADF (UK Government)	3.00	4.700%	08/01/2025	2	£772.60	10/01/2025
DMADF (UK Government)	5.00	4.700%	03/01/2025	10	£6,438.36	13/01/2025
DMADF (UK Government)	4.00	4.700%	15/01/2025	2	£1,030.14	17/01/2025
DMADF (UK Government)	5.00	4.700%	17/01/2025	7	£4,506.85	24/01/2025
DMADF (UK Government)	7.00	4.700%	14/01/2025	6	£5,408.22	20/01/2025
DMADF (UK Government)	4.00	4.700%	22/01/2025	2	£1,030.14	24/01/2025
DMADF (UK Government)	10.00	4.700%	30/01/2025	4	£5,150.68	03/02/2025
DMADF (UK Government)	5.00	4.700%	24/01/2025	3	£1,931.51	27/01/2025
DMADF (UK Government)	0.50	4.485%	04/02/2025	23	£1,413.08	27/02/2025
DMADF (UK Government)	4.00	4.460%	06/02/2025	21	£10,264.11	27/02/2025
DMADF (UK Government)	7.50	4.450%	07/02/2025	7	£6,400.68	14/02/2025
DMADF (UK Government)	7.50	4.450%	07/02/2025	14	£12,801.37	21/02/2025
DMADF (UK Government)	2.50	4.450%	12/02/2025	2	£609.59	14/02/2025
DMADF (UK Government)	5.00	4.450%	14/02/2025	7	£4,267.12	21/02/2025
DMADF (UK Government)	5.00	4.450%	14/02/2025	13	£7,924.66	27/02/2025
DMADF (UK Government)	3.00	4.450%	21/02/2025	0	£731.51	21/02/2025
DMADF (UK Government)	9.00	4.450%	21/02/2025	7	£7,680.82	28/02/2025
DMADF (UK Government)	3.00	4.450%	21/02/2025	3	£1,097.26	24/02/2025
DMADF (UK Government)	11.00	4.450%	03/03/2025	1	£1,341.10	04/03/2025
DMADF (UK Government)	4.00	4.450%	26/02/2025	9	£4,389.04	07/03/2025
DMADF (UK Government)	5.00	4.450%	04/03/2025	3	£1,828.77	07/03/2025
DMADF (UK Government)	4.00	4.450%	05/03/2025	2	£975.34	07/03/2025
DMADF (UK Government)	6.00	4.450%	04/03/2025	10	£7,315.07	14/03/2025
DMADF (UK Government)	5.00	4.450%	07/03/2025	7	£4,267.12	14/03/2025
DMADF (UK Government)	3.00	4.450%	12/03/2025	2	£731.51	14/03/2025
DMADF (UK Government)	10.00	4.450%	14/03/2025	7	£8,534.25	21/03/2025
DMADF (UK Government)	3.00	4.450%	19/03/2025	9	£3,291.78	28/03/2025
DMADF (UK Government)	8.00	4.450%	21/03/2025	3	£2,926.03	24/03/2025
DMADF (UK Government)	4.00	4.450%	21/03/2025	4	£1,950.68	25/03/2025
DMADF (UK Government)	6.00	4.450%	25/03/2025	6	£4,389.04	31/03/2025
DMADF (UK Government)	6.00	4.450%	26/03/2025	1	£731.51	27/03/2025

DMADF (UK Government)	9.00	4.450%	27/03/2025	4	£4,389.04	31/03/2025
Total					£918,494.32	

Additionally, a call account at Lloyds was used to hold funds which yielded a further £103k in interest.

The Council also has the following loans to third parties which fall under the scope of the Council's approved Investment Strategy.

	Loan balance on 31 March 2024 £'000	Loan balance on 31 March 2025 £'000
East Lothian Housing Association	7,914	7,629

Under accounting standard IFRS9, an expected credit loss for all loans to third parties must be obtained and recognised in the Council's Income and Expenditure account within Surplus/Deficit on Provision of Services.

This was £0.055m for 2024-25 and was decreased to £0.031m for 2025-26 to reflect the risk profile of the debt in the current financial environment.

Investments held by Fund Managers

The Council uses Rathbones (previously known as Investec) as external fund managers to invest cash balances on behalf of the 4 Common Good Funds and the ELC Charitable Trusts. The performance of the managers against the benchmark return was:

£m	Investments held 31 March 2024	Investments held 31 March 2025	Return	Benchmark
Charitable Trusts	3.807	3.844	3.32%	6.34%
Common Good Funds	3.850	3.891	3.36%	6.34%
Total	7.657	7.753	£0.096m	

The Council's investment advisors have reported that the portfolio has performed modestly for 2024-25 with a net return of 3.36% for the Common Good and 3.32% for the Charitable Trusts as global equity markets should a fair amount of volatility. This was driven by continued geopolitical risks with a number of ongoing conflicts globally and the trade tariffs set in the USA. These are mitigated by having investments in companies with strong balance sheets.

Officers continue to engage with the Investment Advisers, and consider any necessary action aligned to the Treasury Investment Strategy should there be any significant change to fund projections. The need to ensure the on-going viability of the funds is essential to ensure the long-term benefits of these investments.

The return achieved was lower than the benchmark for both portfolios.

Appendix 1: Prudential and treasury indicators

1. PRUDENTIAL INDICATORS	2023/24	2024/25	2024/25
	Actual £'000	Budget £'000	Outturn £'000
Capital Expenditure			
General Services	51,589	117,196	91,921
HRA	42,849	31,579	32,471
TOTAL	94,438	148,775	124,392
Ratio of financing costs to net revenue stream			
General Services	4.26%	5.57%	4.95%
HRA	33.13%	36.24%	33.63%
Gross borrowing requirement - General Services			
brought forward 1 April	295,377	321,667	313,376
carried forward 31 March	313,376	365,070	342,283
in year borrowing requirement	17,999	43,403	28,907
Gross borrowing requirement - HRA			
brought forward 1 April	240,066	267,835	265,745
carried forward 31 March	265,745	291,180	286,472
in year borrowing requirement	25,679	23,345	20,726
Gross Debt	£m	£m	£m
CFR			
General Services	313,376	365,070	342,283
HRA	265,745	291,180	286,472
TOTAL	579,121	656,250	628,755
Annual Change in Capital Financing Requirement			
General Services	17,999	43,403	28,907
HRA	25,679	23,345	20,726
TOTAL	43,679	66,748	49,633
Annual Impact of Capital Investment Decisions			
General Services – Debt per Band D Equivalent	5,118	5,940	5,740
HRA – Debt per dwelling	28,389	31,112	30,201

2. TREASURY MANAGEMENT INDICATORS	2023/24	2024/25	2024/25
	Actual £'000	Budget £'000	Outturn £'000
Authorised Limit for External Debt -			
Borrowing	636,000	726,000	708,000
Other long term liabilities	31,000	30,000	38,000
Total	667,000	756,000	746,000
Operational Boundary for External Debt -			
Borrowing	594,352	656,249	645,144
Other long term liabilities	30,688	29,104	37,712
Total	625,040	685,354	682,856
Actual External Debt			
Borrowing	441,503	558,885	561,529
Other Long Term Liabilities	32,214	29,104	29,105
Total	473,717	587,989	590,634

	31 March 2024 Actual £m	31 March 2025 Budget £m	31 March 2025 Outturn £m
3. LOANS FUND			
General Services			
Opening balance	295	322	313
Add advances	22	51	36
Less repayments	(4)	(7)	(7)
Closing balance	313	365	342
HRA			
Opening balance	240	268	266
Add advances	31	29	27
Less repayments	(5)	(6)	(6)
Closing balance	266	291	286
Total			
Opening balance	535	590	579
Add advances	53	80	62
Less repayments	(10)	(13)	(13)
Closing balance	579	656	629

ABBREVIATIONS USED IN THIS REPORT

CFR: capital financing requirement - the council's annual underlying borrowing need to finance capital expenditure and a measure of the council's total outstanding indebtedness.

CIPFA: Chartered Institute of Public Finance and Accountancy – the professional accounting body that oversees and sets standards in local authority finance and treasury management.

GDP: gross domestic product – a measure of the growth and total size of the economy.

HRA: housing revenue account.

MPC: the Monetary Policy Committee is a committee of the Bank of England. which meets for one and a half days. eight times a year. to determine monetary policy by setting the official interest rate in the United Kingdom. (the Bank of England Base Rate. commonly called Bank Rate). and by making decisions on quantitative easing.

PPP: Private Public Partnership – capital expenditure financed by the private sector i.e. not by direct borrowing by a local authority.

PWLB: Public Works Loan Board – this is the part of H.M. Treasury which provides loans to local authorities to finance capital expenditure.

RPI: the Retail Price Index is a measure of inflation that measures the change in the cost of a representative sample of retail goods and services. It was the UK standard for measurement of inflation until the UK changed to using the EU standard measure of inflation.

CPI. Consumer Price Index. The main differences between RPI and CPI is in the way that housing costs are treated and that the former is an arithmetical mean whereas the latter is a geometric mean. RPI is often higher than CPI for these reasons.

TMSS: the annual treasury management strategy statement reports that all local authorities are required to submit for approval by the full council before the start of each financial year.