
Report to: Council

Date: 29 January 2026

Subject: Annual Treasury Management Report 2024/25

Report by: Chief Finance Officer

1.0 Purpose

1.1 The Council is required by regulations issued under the Local Government in Scotland Act 2003 to produce an annual review of treasury management activities. This report details the treasury management activities for the Council for the year ended 31 March 2025 and how this compares to the 2024/25 Treasury Management Strategy Statement set in February 2024.

2.0 Recommendations

2.1 It is recommended that the Council note and consider this Annual Report for 2024/25 on the Council's Treasury Management activities.

3.0 Considerations

3.1 This report meets the requirements of the Scottish Government's investment regulations, the CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

3.2 During 2024/25 the following reports were required to be reported to Council:

- annual treasury management and investment strategy (The Treasury Management Strategy Statement (TMSS) for 2024/25, which included the Annual Investment Strategy was approved by Council on 29th February 2024)
- a treasury update report for the first three quarters, 1st April to 31st December 2024 (Treasury Management Quarterly Update at 31st December 2024 presented to Audit & Scrutiny Committee on 17th April 2025)
- an annual review following the end of the year describing the activity compared to the strategy (this report).

Regulations place 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.

3.3 The report covers the following areas:

- The Economy and Interest Rates
- Interest Rate Forecast
- Investment Outturn for 2024/25
- Borrowing Requirement and Debt
- Borrowing Outturn for 2024/25
- Compliance with Treasury and Prudential Limits

The Economy and Interest Rates

3.4 During 2024/25, financial markets were impacted by the continuation of the geopolitical events that dominated 2023/24 including the wars in Ukraine and Gaza. Added to this was the implementation of US tariff policies, all of which impacted on UK attempts to control inflation. The Bank of England Monetary Policy Committee (MPC) sets monetary policy to meet a 2% inflation target and varies the Bank of England Base rate to achieve this target.

3.5 The forecast for interest rates within the 2024/25 TMSS was that the Bank of England Base Rate would reduce from 5.25% in March 2024 to 4.75% in September 2024 and then fall steadily to 3.00% in September 2025.

3.6 From 1st April 2024, there were three cuts to the Bank rate in the year, with the base rate reducing to 4.5% by February 2025. A further two reductions followed in May and August 2025, reducing the base rate to 4%, 1% above the estimate in the TMSS. Whilst the rate reduced, it remained higher than estimated at 4% by September 2025. At the time of writing this report a further rate cut was made in December 2025, reducing the rate to 3.75%.

3.7 CPI inflation during 2024/25, whilst considerably lower than the highs of 2023/24, varied between 1.7% (September 2024) and 3% (January 2025) and for the first 6 months of 2024/25 trended upwards reaching 3.8% in July, August and September 2025 then falling slightly to 3.6% in October 2025 and further to 3.2% in November. Labour markets remained strong during 2024/25 by historical standards with unemployment only slightly rising to 4.6% in March 2025 compared to 4.4% at March 2024.

Interest Rate Forecast

3.6 The Council's treasury advisors, MUFG Corporate Markets, provided the following interest rate forecast and actual rates as at 22nd December 2025 which is in line with their current assessments of the economic outlook for the coming financial year.

Table1: Investment Forecast provided by MUFG Corporate Markets

Quarter Ended	Bank Rate %	PWLB Borrowing Rates % (including certainty rate adjustment)		
		5 year	25 year	50 year
Dec 2025 (actual)	3.75	4.80	5.84	6.21
Mar 2026	3.75	4.60	5.80	5.60
Jun 2026	3.50	4.50	5.70	5.50
Sep 2026	3.50	4.30	5.60	5.40
Dec 2026	3.26	4.20	5.50	5.30

3.7 The table shows rates are expected to reduce, albeit slowly over the coming year to December 2026. Whilst reductions in rates reduces borrowing costs, it also reduces the interest income on short term investments.

Investment Outturn for 2024/25

3.9 As at 31 March 2025, the Council held investments of £15.3m almost wholly made up of short-term cash and cash equivalents held with banks and other institutions. £500 was also held in CSBP Clackmannanshire Investments Ltd. Appendix 1 shows the analysis of the investment portfolio as at 31 March 2025.

3.10 The Council's investment treasury indicators for 2024/25 are:

- A limit of £12m on the maximum principal sum that may be invested for periods greater than 365 days;
- Up to 75% of investments may have fixed interest rates, and
- Up to 100% of investments may have variable interest rates.

These limits were not breached during 2024/25.

3.11 As at 31 March 2025 the Council held immediately available cash balances of £15.3m (£12.5m 2023/24), of which £1.1m was held in the Council's bank accounts and a further £14.2m was held in a treasury call account, two Money Market Funds (MMF) and two Ultra Short Dated Bond Funds (USDBF).

3.12 During the year, there were no investments in fixed term deposits. All funds available for investment were held in the Treasury Call Account, MMFs and USDBFs. The Treasury Call Account is held with the Bank of Scotland and offers daily interest rates close to money market rates. Extensive use was also made of HM Treasury's Debt Management Office deposit facility, principally for very short-term deposits, often overnight, to secure a better rate than was available from the main bank account with the Royal Bank of Scotland.

3.14 The benchmark investment returns over the 12 months ending 31 March 2025, provided by MUFG Corporate Markets, are illustrated in the undernoted table:

Table 2: Benchmark Investment Returns 2024/25

Benchmark	Benchmark Return
30 days	4.94%
90 days	5.02%
180 days	5.11%
365 days	5.22%

*The rates shown above are based on the backward-looking Sterling Overnight Index Average (SONIA) compounded.

- 3.15 The Council's budgeted cash investment return for returns on investments placed for periods up to three months for 2024/25 was 2.25%, which was based on an expected bank rate of 3.75% for 2024/25.
- 3.16 As noted above, investment interest rates fell throughout 2024/25 in line with decreases in the Bank rate and the Treasury Team actively invested the Council's cash balances throughout the year to maximise returns in a falling interest rate environment. As a result, the Council achieved an actual investment return of 4.78% (£0.799m) on all investments for the year ended 31 March 2025 which is in line with the benchmark shown in table 2 above and over double the budgeted return. Average interest rates between 4.86% and 5.27% were achieved on the MMF, USDBF, DMO and the Treasury Call Account. An average return of 3.04% was achieved on everyday cash investments.
- 3.17 The Treasury Team continues to identify opportunities during 2025/26 to optimise the Council's investment income in line with interest rate and cashflow forecasts. These activities are being undertaken in line with the Council's investment priorities of security first, liquidity second and then return.

Capital Outturn for 2024/25

- 3.18 The Council's capital expenditure plans are a key driver of treasury management activity. The TMSS for 2024/25 provided estimates of the total capital expenditure that would be incurred in 2024/25, split between General Fund Services (GF) and Housing Revenue Account (HRA). The outturn for 2024/25 against budget is shown below:

Table 3: Capital Outturn 2024/25

	Revised Budget at 31 March 2025 £000	Actual Spend to 31 March 2025 £000	(Under)/Over Spend £000
General Fund Services	24,055	10,697	(13,358)
Housing Revenue Account	18,081	11,245	(6,836)
Total	42,136	21,942	(20,194)

3.19 For 2024/25, the approved General Fund Capital programme set out significant gross investment in Clackmannanshire amounting to £20.011m. A further £2.151m was added because of carry forwards from 2023/24 and £1.893m was added to reflect additional grant income for various projects and initiatives. These additional amounts increased the approved budget for 2024/25 to £24.055m.

3.20 The total spend on the General Fund capital programme for the year was £10.697m resulting in an underspend of £13.358m. Whilst work on capital projects was progressed, delays were still incurred due to internal and external factors and as such £12.333m was carried forward to 2025/26.

3.21 The approved HRA Capital Programme for 2024/25 was £18.081m in line with the approved budget including additional carry forwards from 2023/24.

3.22 The total gross expenditure on the HRA capital programme for the year was £11.245m resulting in an underspend of £6.836m, £6.362m of which was carried forward to 2025/26. The majority of the underspend was due to delays with two main projects: Westhaugh Travellers Site, and Lochies Road – New Development. The budget for both projects was carried forward into 2025/26.

Borrowing Requirement 2024/25

3.23 Capital expenditure can be financed by using capital receipts, capital grants, developer contributions or directly from revenue. For any additional requirement out with these means, the Council will undertake borrowing. This additional borrowing will increase the Capital Financing Requirement (CFR) of the Council; therefore, the CFR represents the Council's underlying need to borrow for capital purposes and it is used as a key measure in treasury management decisions. Increases in the borrowing requirement are offset by the Loans Fund Principal Repayments. This is the amount required to be charged to revenue each year to repay previous borrowing and it is charged over the life of the asset. The net figure is the increase in the CFR. The CFR is shown in the table below split between the General Fund and HRA.

Table 4: Borrowing Requirement/ CFR 2024/25

	31 March 2024 Actual £000	31 March 2025 Estimate £000	31 March 2025 Actual £000
General Fund	139,596	152,441	141,805
HRA	22,058	34,957	27,161
Total	161,654	187,398	168,966

3.24 Overall the CFR has increased by £7.3m as at March 2025 from the previous year. The General Fund CFR has increased by £2.2m due to in year capital expenditure of £4.0m funded by internal borrowing, partly offset by Loans Fund principal repayments and lease and other repayments totalling £1.8m.

3.25 The HRA CFR has increased by £5.1m as at 31 March 2025 from the previous year. This was due to in-year capital expenditure of £5.7m funded by internal borrowing offset by Loans Fund principal repayments of £0.6m.

3.26 In summary, the total CFR for both GF and HRA is less than budgeted due to underspends on the GF capital programme in 2024/25, as shown in table 3 above, and additional underspends in the previous financial year which were not known at the time the TMSS for 2024/25 was approved.

3.27 Loans Fund repayments are set in line with the Loans Fund Policy which was previously amended by the Council in 2019/20. The policy smooths the repayment profile of debt over the average life of the Council's assets. Further details of the policy are set out in the Treasury Management Strategy Statement 2020/21 approved by Council in February 2020.

3.28 The TMSS for 2023/24 set out revised accounting arrangements for Service Concessions on the Council's PPP Schools. The revised arrangements extended the term of the accounting treatment of repayments from 30 years to 50 years in line with the estimated useful life of the assets. This generated a one-off retrospective benefit of £12.5m in 2023/24 and will generate average annual benefits of £1m per annum in the near term, however, this also results in additional costs to the General Fund over the longer term, from years 30 to 50. These additional costs will be built into the budget for future years.

Ratio of financing costs to net revenue stream

3.29 The Council is required to make estimates of the ratio of capital financing costs to its net revenue stream i.e. the estimate of total income which will be committed towards meeting future costs of borrowing. This ratio is required to assess the affordability of capital investment plans and to provide an indication of the impact of the capital investment plans on the Council's overall finances.

3.30 For the GF this is the ratio of financing costs of borrowing against net expenditure financed by Government Grant and Council Tax. For the HRA, the indicator is the ratio of financing costs to gross rental income.

3.31 The outturn for 2024/25 against the estimate is shown in the following table.

Table 5: Ratio of financing costs to net revenue stream 2024/25

	2024/25 Estimate	2024/25 Actual
General Fund	3.99%	3.65%
Housing Revenue Account	6.93%	7.32%

3.32 The actual ratio for the General Fund is slightly less than estimated due to the increase in interest on investments, a lower cost of borrowing and an increase in the net revenue stream.

3.33 The actual ratio for the HRA is slightly higher than estimated due to higher cost of borrowing against the net revenue stream.

Borrowing Outturn for 2024/25

3.34 Borrowing activity is constrained by the prudential indicators for CFR and gross borrowing and by the authorised limit. The Council needs to ensure that gross debt does not, over the medium term, exceed the CFR. An over-borrowed position is only permissible in the short term to allow for early borrowing for future years and recognition of slippage and other funding becoming available, but the Council must return to an under-borrowed position in future years.

3.35 In line with the Prudential Code, the Council was in an under-borrowed position as at 31 March 2025.

3.36 The Council's external borrowing position as at 31 March 2025 has increased by £12.879m and is illustrated in the undernoted table:

Table 6: External borrowing at 2024/25

	Actual March 2024 £000	Actual March 2025 £000	Movement Increase (/Decrease) £000
Public Works Loan Board (PWLB)	73,710	88,297	14,587
Market Loans	19,008	18,937	(71)
LOBO Loans*	5,000	5,000	-
Other long term liabilities	33,995	32,358	(1,637)
Total	131,713	144,592	12,879
CFR	161,654	168,966	7,312
(Under)/Over borrowing	(29,941)	(24,374)	5,567

*LOBO = Lender Option Borrower Option – long term loan with a fixed interest rate but allows the option to vary the interest rate at periodic intervals throughout the term of the loan.

3.37 During the year, new PWLB loans of £15m were undertaken and repayments of £0.413m were made. Within Market Lonas, £0.062m was repaid towards a SALIX Loan and a £9k accounting adjustment was made for the annual effective interest rate.

3.38 The maturity structure of the PWLB loans, Market loans and LOBO loans are set out in Appendix 2. This also details the upper and lower limits for each category of loan as set out in the 2024/25 TMSS and shows that the Council has not breached these limits.

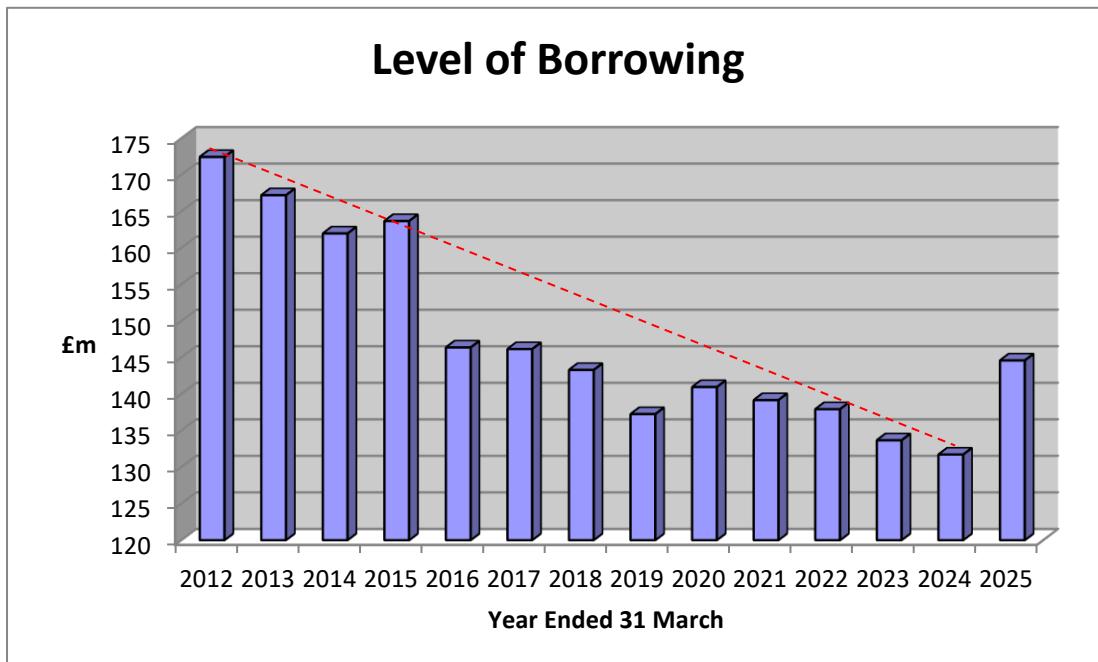
3.39 Under Other long-term liabilities, repayments of £1.637m were also made in the year toward the Council's PFI lease.

3.40 In 2012 the Council put in place a policy to minimise long term debt. To ensure debt is minimised, the capital programme was set so that the level of borrowing did not increase over the longer term.

3.41 In March 2021, Council approved a 20 year Capital Investment Programme which is updated annually on a rolling basis. This programme set out planned significant capital investment areas across the Council's Be The Future priorities. In order to support this 20 year capital programme, the previous borrowing strategy to minimise external debt was revised to one that supports growth and investment but also looks to reduce external debt over the longer term.

3.42 The following chart illustrates the actual level of debt at the end of each year up to 31 March 2025.

Chart 1: External debt (actual)



3.43 The chart shows that overall, there has been a reduction in cumulative external debt of 23.6% between March 2012 and March 2024, showing that period the Council did not increase its level of debt, in line with the policy approved in 2012. During 2024/25, the Council undertook £15m of new borrowing from the PWLB to support the capital investment programme, which was in line with the TMSS for 2024/25 and the revised strategy to support investment and growth. Repayments towards PFI and finance leases contribute to a reduction of the Council's overall level of external debt on an annual basis.

Limits for External Debt

3.44 The Council is required to set an authorised limit for external debt which includes external borrowing (gross of investments) and other long-term liabilities such as finance lease obligations. The limit provides a maximum figure that the Council could borrow at any given point during each financial year. The Council also set an operational boundary for external debt which is lower than the authorised limit as it is based on an estimate of the most likely level of external borrowing at any point in the year.

Table 5: Authorised Limit for External Debt 2024/25

	2024/25 £000
Authorised Limit for External Debt	167,000
Operational Boundary for External Debt	155,000
Gross External Debt as at 31 March 2025	144,592

3.45 The Council did not exceed either the authorised limit or the operational boundary during 2024/25 and was £10.4m below the operational boundary as at 31 March 2025.

Borrowing in advance of need

3.46 The Council did not borrow in advance of need in the year ended 31 March 2025 and has no intention to borrow in advance in 2025/26.

Debt Rescheduling

3.47 Debt rescheduling opportunities have been very limited in the current economic climate. Consequently, no debt rescheduling was undertaken during 2024/25. However, an opportunity arose in April 2025 to repay £18.5m of market loans with Barclays Bank at a discount of £1.9m. This was financed with £18m of new borrowing from the PWLB at lower interest rates than the market loans they replaced.

Compliance with Treasury and Prudential Limits

3.48 It is a statutory duty for the Council to determine and keep under review the affordable capital expenditure limits. The Council's Treasury and Prudential Indicators (affordability limits) are included in the approved TMSS.

3.49 During the year the Council has operated within the treasury and prudential indicators set out in the Council's TMSS and in compliance with the Council's Treasury Management Practices. Some of the key Prudential and Treasury Indicators are shown at Appendix 2.

4.0 Conclusions

4.1 Throughout 2024/25 the Council has complied with its legislative and policy requirements including its Treasury Management Strategy and Prudential Indicators

4.2 The Council achieved a higher than budgeted actual return on investment of 4.78% generating income of £0.799m from short term cash investments.

4.3 During the year borrowing increased by £12.879m representing £15.0m of new advances, offset by repayments of £0.484m towards long-term debt and £1.637m towards PFI leases, reducing other long-term liabilities.

5.0 Sustainability Implications

5.1 None

6.0 Resource Implications

6.1 *Financial Details*

6.2 The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate.

Yes

6.3 Finance have been consulted and have agreed the financial implications as set out in the report.

Yes

6.4 *Staffing*

6.5 None

7.0 Exempt Reports

7.1 Is this report exempt? Yes (please detail the reasons for exemption below) No

8.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities** (Please tick)

Clackmannanshire will be attractive to businesses & people and ensure fair opportunities for all

Our families; children and young people will have the best possible start in life

Women and girls will be confident and aspirational, and achieve their full potential

Our communities will be resilient and empowered so that they can thrive and flourish

(2) **Council Policies** (Please detail)

Treasury Management Policy Statement and Practices

9.0 Impact Assessments

9.1 Have you attached the combined equalities impact assessment to ensure compliance with the public sector equality duty and fairer Scotland duty? (All EFSIAs also require to be published on the Council's website)

No

9.2 If an impact assessment has not been undertaken you should explain why:

This report is for noting and there are no direct impacts resulting from the content of this report.

10.0 Legality

10.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes

11.0 Appendices

11.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

Appendix 1 – Investment Portfolio as at 31 March 2025

Appendix 2 - Prudential and Treasury Indicators as at 31 March 2025

12.0 Background Papers

12.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Yes (please list the documents below) No

Treasury Management Strategy Statement (TMSS) 2024/25 - report to Council February 2024

Treasury Management Quarterly Update at 31 December 2024 – report to Audit & Scrutiny Committee April 2025

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Approved by

NAME	DESIGNATION	SIGNATURE
Chris Alliston	Strategic Director Partnership and Performance	[Redacted]

APPENDIX 1: Investment Portfolio as at 31 March 2025

Counterparty	Principal £000	Interest Rate	Type
Royal Bank of Scotland plc	1,076	Variable Annual Return 3.04%	Instant Access
Other Accounts	28	N/A	Petty Cash
Total Cash and Cash Equivalents	1,104		

Short Term Investments	Principal £000	Interest Rate	Start Date	Maturity Date
Bank of Scotland	80	Variable Annual Return 5.27%		Treasury Call Account
Aberdeen Standard Money Market Fund	4,300	Variable Annual Return 4.99%		Instant Access
Aberdeen Standard Ultra Short Duration Fund	2,514	Variable Annual Return 5.24%		4 working days
BlackRock Money Market Fund	3,650	Variable Annual Return 4.89%		Instant Access
BlackRock Ultra Short Duration Fund	3,681	Variable Annual Return 4.86%		2 working days
CSBP Clackmannanshire Investments Ltd	1			
Total Short Term Investments	14,226			

TOTAL INVESTMENTS	15,330
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APPENDIX 2: Prudential and Treasury Indicators as at 31 March 2025

Treasury Indicators	2024/25 Approved Budget £000	2024/25 Outturn at 31 March 2025 £000
Authorised limit for external debt	167,000	167,000
Operational boundary for external debt	155,000	155,000
Gross external debt*	142,513	144,592
Investments	12,461**	15,330
Net borrowing	130,052	129,262

*As at 31 March 2025, Gross external debt consisted of £112.234m fixed rate borrowing and £32.358m liabilities in relation to PFI and finance leases

**Actual as at 31 March 2024

Maturity structure of fixed rate borrowing - Upper and lower limits (excluding PFI and Finance Leases)	Upper and Lower Limits	Fixed Rate Borrowing as at 31 March 2024 £000	% of Total Fixed Rate Borrowing
Under 12 months	25% - 0%	7,308	6.51%
12 months to 2 years	25% - 0%	412	0.37%
2 years to 5 years	50% - 0%	12,600	11.23%
5 years to 10 years	75% - 0%	2,999	2.67%
10 years and above	100% - 0%	88,915	79.22%
Total Fixed Rate Borrowing		112,234	100.00%

APPENDIX 2: Prudential and Treasury Indicators as at 31 March 2025

Prudential Indicators	2024/25 Revised Budget £000	2024/25 Outturn at 31 March 2025 £000	Variance/ Movement £000
Capital expenditure - General Fund Services	24,055	10,697	(13,358)
Capital expenditure - Housing Revenue Account	18,081	11,245	(6,836)
Capital Financing Requirement (CFR) - General Fund	152,441	141,805	(10,636)
Capital Financing Requirement (CFR) - HRA	34,957	27,161	(7,796)
Annual change in CFR - General Fund	544*	2,209**	
Annual change in CFR - HRA	7,517*	5,108**	
In year borrowing requirement (includes Service Concession Adjustment)	44,885	24,374	(20,511)
Ratio of financing costs to net revenue stream - General Fund	3.99%	3.65%	(0.34%)
Ratio of financing costs to net revenue stream - HRA	6.93%	7.32%	0.39%

*This is the movement between the CFR reported in the TMSS 2023/24 and TMSS 2024/25

**This is the movement between the actual CFR as at 31st March 2024 and 31st March 2025