Treasury Management and Investment Sub-Committee Agenda

Chelmsford City Council

16 June 2025 at 7pm

Crompton Room, Civic Centre, Duke Street, Chelmsford, CM1 1JE

Membership

Councillor K. Franks (Chair)

and Councillors

P. Clark, S. Hall, M. Sismey, A. Sosin, N. Walsh and R. Whitehead

Local people are welcome to attend this remote meeting, where your elected Councillors take decisions affecting YOU and your City. There will also be an opportunity to ask your Councillors questions or make a statement. These have to be submitted in advance to committees@chelmsford.gov.uk. Further details are on the agenda page. If you would like to find out more, please email committees@chelmsford.gov.uk or telephone on 01245 606480

Treasury Management and Investment Sub-Committee

16 June 2025

AGENDA

1. Apologies for Absence and substitutions

2. Minutes

To consider the minutes of the meeting held on 20 January 2025.

3. Declaration of Interests

All Members are reminded that they must disclose any interests they know they have in items of business on the meeting's agenda and that they must do so at this point on the agenda or as soon as they become aware of the interest. If the interest is a Disclosable Pecuniary Interest they are also obliged to notify the Monitoring Officer within 28 days of the meeting.

4. Public Question Time

Any member of the public may ask a question or make a statement at this point in the meeting. Each person has two minutes and a maximum of 20 minutes is allotted to public questions/statements, which must be about matters for which the Committee is responsible.

The Chair may disallow a question if it is offensive, substantially the same as another question or requires disclosure of exempt or confidential information. If the question cannot be answered at the meeting a written response will be provided after the meeting.

Any member of the public who wishes to submit a question or statement to this meeting should email it to committees@chelmsford.gov.uk 24 hours before the start time of the meeting. All valid questions and statements will be published with the agenda on the website at least six hours before the start time and will be responded to at the meeting. Those who have submitted a valid question or statement will be entitled to put it in person at the meeting.

5. Treasury Management Outturn Report 2024/25

Part II (Exempt Items)

6. Cashflow Forecasting

Category: Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 Information relating to the financial or business affairs of any particular person (including the authority holding that information)

Public interest statement: It is not in the public interest to release details of this report at present, on the grounds that the report contains information that is commercially sensitive and to place the information in the public realm will be detrimental to the negotiations to be undertaken by the Council.

7. Urgent Business

To consider any other matter which, in the opinion of the Chair, should be considered by reason of special circumstances (to be specified) as a matter of urgency.

MINUTES OF THE

TREASURY MANAGEMENT AND INVESTMENT SUB COMMITTEE

held on 20th January 2025

Present:

Councillor C. Davidson (Chair)

Councillors P. Clark, K. Franks, S. Hall, A. Sosin and R. Whitehead

Also in attendance:

Councillor L. Foster

1. Apologies for Absence and Substitutions

No apologies for absence had been received.

2. Minutes

The minutes of the meeting held on 14 October 2024, were agreed as a correct record and signed by the Chair.

3. Declaration of Interests

All Members were reminded to declare any Disclosable Pecuniary interests or other registerable interests where appropriate in any items of business on the meeting's agenda. None were made.

4. Public Question Time

No public questions or statements were received for the meeting.

5. Treasury Management & Investment Strategies 2025/26

The Sub-Committee received a draft report regarding the proposed Treasury Management and Investment Strategies for 2025/26, which would be taken to the Cabinet meeting on 28th January 2025. Members were asked to review the draft report and recommend the strategies to Cabinet on 28th January 2025 and then to Full Council on 19th February 2025.

Regarding investments, the Sub-Committee were informed that there were no material changes to the Treasury Strategy from the previous year, and a target of a minimum of £5m of liquid funds remained to manage cashflow during the year, however it was noted that this may be increased by officers during the year, if liquidity management required it. The Sub-Committee also heard that the cash available for investment was expected to reduce, as the Council funded the Capital Programme and that prior to completion of the budget, gross interest income of circa £925k was expected for 25/26, based on an assumed interest rate of 4.35% across the Council's portfolio.

Regarding borrowing, which was of an increased focus, given the Council's financial outlook, the Sub-Committee were informed that the maturity limit for 2-5 years had been increased to 100%, to increase flexibility if needed. The Sub-Committee were also informed that an affordability indicator had been added, as a result of reviewing currently published indicators against those required by best practice, but no other material changes had been made from the previous year. The Sub-Committee were also reminded, that as with previous years, borrowing would only be undertaken for the purpose of managing temporary liquidity or funding the capital programme, in line with the limits set in the Capital Strategy and that the Section 151 officer would continue to manage investments and borrowings. The Sub-Committee also noted that prior to completion of the budget, cashflow planning indicated borrowing was likely to be required in late 2024/25 and onwards, with projections suggesting external borrowing of £58m by March 2026 might be needed. This estimate was caveated by officers, as there is considerable difficulty in predicting Council cashflows. Estimates of cashflow tend to have a bias to over stating the need to borrow as capital schemes tend to take place at slower pace than planned.

The Sub-Committee were also informed, that no changes to the principles of last year's investment strategy were recommended, no new investments would be made where the primary purpose was yield, due to restrictions in the strategy and that the strategy retained the provision, to allow for the creation of a stand-alone housing company if needed.

In response to discussion and questions from the Sub-Committee, officers informed them that;

- The preference for borrowing had normally been from other Local authorities, but due to the financial situation for other Local authorities, it was more likely that the Public Works Loan Board would be the lender if required.
- It was not possible to clearly set out specific dates where borrowing may be required in 2024/25, as it would be dependent on cash flows which were often determined by decisions outside of the Council. Therefore it was difficult to forecast confidently. It was noted that the amounts in and out were broadly predictable, but it was harder to set specific dates, so constant monitoring was required to ensure that sufficient liquidity was available when required. Officers informed the Sub-Committee that they would produce a future report, providing a cashflow overview to assist with understanding the above issues. However, limited resources and high demand, in the finance team would mean members would need to choose between the regular production of in year cashflow reports and other tasks expected of the team. It was clarified though, that it was an operational role for the S151 Officer to make decisions on investments and borrowings throughout the financial year, in line with the agreed strategies. In-year cashflow forecasts in the view of the s151 were not needed to complete the committee's role.
- If funds were borrowed but then not required due to cash flow at the time, then they would be reinvested to gain a return instead, therefore offsetting interest costs etc.

- There were not any conflicts of interest with the Council's new Treasury Advisors.
- The minimum term for the Public Works Loan Board loan is 1 year. The one-year loans are offered as variable interest rates, with options of either monthly, 3 monthly or 6 monthly interest rate resets These variable resets are also available for the duration of longer loans which could be 1 year to 50 years The PWLB offers fixed rate loans of up to 50 years.
- The Council's Treasury advisors had not revised their interest rate assumptions and as a result, it was the view of officers to keep loans short where possible and hope that interest rates reach a more preferable position.
- Unlike the private sector, Local Government debt was not attached to assets, and it was difficult to comment on what would happen to both assets and debts as a result of Local Government Reorganisation.
- A report on risk appetite would be looked at by the Audit and Risk Committee in the future.

RESOLVED that the Treasury Management and Investment Strategies be recommended to the Cabinet and Full Council.

(2.02pm to 3pm)

6. Urgent Business

There were no matters of urgent business.

The meeting closed at 3pm.

Chair

Agenda Item 5

Chelmsford City Council

Treasury Management and Investment Sub-Committee

16th June 2025

Treasury Management Outturn Report 2024/25

Report by:
Accountancy Services Manager (Section 151 officer)

Officer Contact:
Phil Reeves, Accountancy Services Manager (s151), phil.reeves@chelmsford.gov.uk, 01245 606562

Purpose

Under statute and the CIPFA Code of Practice on Treasury Management ("the Code"), Members are required to receive a report on the Treasury Management activities that took place in 2024/25.

Recommendations

Recommend the Treasury Management Outturn Report 2024/25 to Cabinet, then Full Council or amend as appropriate.

1. Introduction

1.1. The CIPFA Code of Practice for Treasury Management sets out the requirements for oversight by the Council of its treasury management operations. As part of the Code, the Council is required to receive an annual report on the performance of the treasury management function which highlights the effects of decisions taken and the circumstances of any non-compliance with the Code and the Council's Treasury Management Strategy.

2. Background

2.1. The Council can expect to have cash to invest, arising from its revenue and capital balances, and collection of local taxes. This cash can be usefully invested to produce a return to help support services or internally borrowed to fund the capital programme. The Council needs to borrow externally to fund its capital programme and to ensure there is sufficient liquidity to fund day to day activities. The activities around the management of this cash and borrowing are known as 'Treasury Management'.

2.2. Treasury Management is defined by the Chartered Institute of Public Finance and Accountancy (CIPFA) as:

"The management of the local authority'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"

2.3. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the MHCLG Guidance.

2.4. The Council's investment priorities as required by Government regulations are in order of priority:

(a) The security of capital
(b) The liquidity of its investments; and
(c) Yield

MHCLG and CIPFA both advise that absolute certainty of security of capital and liquidity does not have to be achieved before seeking yield from investments. An appropriate balance of all three should be sought and that balance is determined by the Council in its Treasury Strategy.

2.5. The operation of Treasury Management is not without risk and the Council could suffer losses if one of its counterparties had financial difficulties.

2.6. The Council formally reviews its investment holdings in the following ways:

- Treasury Management Strategy report in February
- Treasury Outturn report in July
- A half-year update in November
- Treasury Management sub-committee monitor Treasury Activity during the financial year.

The review of the year's activities is set out in the following appendices:

Appendix A – External Environment Update

Appendix B – Borrowing and Actual Investment Activity compared to the Approved 2024/25 Strategy

3. Summary of Review

3.1. During the financial year, there were no breaches of the Treasury Management Strategy.

3.2. The economic environment for the financial year was marked with a move to small and gradual interest rates cuts and ending the year with significant new uncertainties due to the changes in US Tariff policy.

3.3. The year end cash and borrowing position:

- Favourably for the Council, cash held by the Council was significantly higher than expected, some £22.8m compared to projections of £13.8m made for the 2025/26 budget (forecast was produced in November 2024). The reasons broadly being a payment of sec106 funding by the City was issued later than expected. Of the £22.8m, there were long term holdings in external fund of £9.1m, leaving £13.7m in money market deposits or short duration funds.
- External borrowing was £11m at year end. This was in the form of short term loans (less than 4 months) from other local authorities. The forecast external debt position was expected to be £26m, so a favourable under borrowing of £15m occurred. Broadly the favourable variance occurred because of slippage in large capital items, mainly £6m of payments for Waterside and GPRS relocation, £1.5m CIL Conveyor bridge funding to ECC and £1.8m relating to Local Authority Housing Fund grants that were still held by Chelmsford. The borrowing was within approved limits.

3.4. Interest earnings from investments for the year were £1.83m, which was £0.82m more than the budget, predominantly due to larger average cash balances. Slower interest rates reduction also contributed to increased returns. The Bank of England base rate decreased from 5.25% to 4.5% in the year.

3.5. The overall return on investments for 2024/25 was 4.94% compared to 5.2% in the previous year. The budget had assumed 4.9%.

3.6. The Council held investments in 3 pooled funds at the end of 2024/25 that generated total income returns of £487k, a return of 4.74%. The impact of the US Tariffs had caused the fund valuations to fall in the last quarter which more than reversed a gradual recovery in valuations which had taken place early in financial year.

3.7. External loan interest costs were £49K, a favourable variance of £502K against the budget of £551K. Reflecting lower external borrowing.

3.8. The Treasury Management and Investment Committee has received a report on the details of the cashflow forecasting which will form part of their more detailed review of Treasury management activity.

4. Conclusion

4.1. It should be noted that the Council’s Treasury Management has operated within approved parameters

4.2. The Treasury management and investment subcommittee will continue to monitor investment and borrowing.

List of appendices:

Appendix A – Economic Environment Update

Appendix B – Borrowing and Actual Investment Activity compared to the Approved 2023/24 Strategy

Background papers:

None

Corporate Implications

Legal/Constitutional: None

Financial: As detailed in report.

Potential impact on climate change and the environment: Any fund managers will be required to consider ESG (Environmental, Social and Governance) factors in their investment process. All the fund managers would be expected to have signed up to the UN Principles for Responsible Investment (PRI). PRI argues that active participation in ESG and exercising shareholder rights on this basis can help to improve the performance of companies which may otherwise not address such concerns and so being an engaged corporate stakeholder is a more effective way to bring about change in corporate behaviour on ethical issues.

Further requirements from those identified above are not practical given the limited ability to directly influence any immediate change in the financial markets.

Contribution toward achieving a net zero carbon position by 2030: None.

Personnel: None

Risk Management: All treasury management activity requires a careful consideration of risk and reward.

Equality and Diversity: None

Health and Safety: None

Digital: None

Other: None

Consultees: None

Relevant Policies and Strategies:

Treasury Management Strategy 2024/25

Appendix A – External Environment Update

Introduction

The interplay of various economic factors including interest rate expectations, and economic growth all affect the performance of the Council's investments.

Economic factors

Bank Rate reductions have been gradual and through the course of the year the rate reduced from 5.25% April 2024 to 4.5% in March.

Bank Rate currently stands at 4.25% after the cut in May when the Monetary Policy Committee voted by a majority of 5-4 to reduce the bank rate by 0.25%. The BOE has lowered its inflation forecast for 2025, 2026 and 2027, forecasting inflation returning to its 2% target in the first quarter of 2027 with the peak seen happening in the third quarter of this year. The BOE remained hawkish with its guidance on future decisions unchanged, sticking to a gradual and careful approach to further easing of rate cuts.

US tariff policy has been the subject of much reporting, so the details are not repeated in this report. The impact of the changes has been to lower the valuations of the funds the Council has invested in. The impact of tariff policy on the interest the Council earns is more difficult to determine.

Interest rates, generally it can be said in 2024/25 that

- cuts to the Bank of England Base have been slower than expected.
- longer term rates over 10 years have remained higher than expected.

Other factors

The mandatory statutory override for local authorities to reverse out all unrealised changes in fund valuations on pooled investments funds was extended to 31st March 2029 for those investments already in place at 1st April 2024. Any new investments taken out after 1st April 2024 will be subject to IFRS 9 accounting standard compliance and will require valuation movements to be accounted for. This means in practice current valuation gains or losses on the Council's unsold investments do not impact on the Council revenue budget. Only when an investment is sold does the gain or loss become realised and impact on the local taxpayer.

Local authority activity in the money markets appears much reduced. This has reduced the availability of funds to borrow (if needed) and increasing interest paid by local authorities. Unlike last year when this shortage occurred towards the end of February, the reduced liquidity and higher rates started earlier in around December.

Appendix B – Borrowing and Investment Activity compared to the Approved Strategy for 2024/25

External borrowing

1. The Council has the freedom to borrow in the following circumstances:

- Short-term borrowing to manage liquidity
- Long-term borrowing only to fund capital expenditure if no other capital resources exist e.g. the Council has spent its capital receipts or expects to do so imminently.

2.The Council borrowed £11m externally towards the end of 2024/25 to ensure there was sufficient year end liquidity to meet Council operational needs. The external borrowing at year end is broken down below.

Local Authority Counter Party	Start	Maturity	Amount	Interest Rate
West Midlands Combined Authority	03-Mar-25	03-Jun-25	5,000,000	5.70%
Middlesborough Pension fund	05-Mar-25	06-May-25	6,000,000	5.95%
			11,000,000	

Officers determined; local authority loans offered better value than the other options available to the Council. This was despite borrowing rates being high in last part of the financial year due to limited liquidity across the local authority investment market. Borrowing was also undertaken as late as possible.

The £11m borrowing was within the authorised borrowing limit, as shown below, taken from the current capital strategy.

Authorised limit and operational boundary for external debt in £ms

	2024/25 limit	2025/26 limit	2026/27 limit	2027/28 limit
Authorised limit – total external debt	£50m	£70m	£75m	£80m
Operational boundary – total external debt	£35m	£66m	£74m	£75m

Debt financing costs for the Council is made up both MRP and interest costs and there was a favourable variation of £552K on both. A favourable £502K related to reduced interest costs.

Interest costs for 2024/25 were £356K compared to a budget of £856K for 2024/25, a favourable variation of £502K, resulting lower than expected external borrowing (compared to the original budget 2024/25). The £356k spent on interest, some £49K was for external loans mostly attributable to the £11m at year end. The other elements of the interest costs are £213K on balances that belong to other bodies held by Chelmsford, £90K vehicle leasing costs and £4K other interest costs. Total interest costs were lower, primarily due to less external borrowing than expected.

The forecast for external borrowing made in November 2024 which was included in the 2025/26 budget was £26m at 31st March 2025. Borrowing was £15m lower than expected due to slippage in large items, mainly £6m on Waterside and GPRS relocation, £1.5m CIL Conveyor bridge funding to ECC and £1.8m relating to Local Authority Housing Fund grants that were still held by Chelmsford.

3. Finance leases are deemed by Government to be a type of borrowing in the Council's Accounts and Treasury reporting must identify that the Council has borrowed money when they are used. A new leasing accounting standard, IFRS16, came in from the 1st April 2024 which takes into accounting all leasing debt and as a result the leasing debt reported has increased significantly. The increase is mainly due to private sector landlord leases now being included. At 31st March 2025, the Council had outstanding finance lease liabilities of £5,825K where £1,537K relates vehicles and equipment and the £4,288K remainder, mostly relating to private sector leasing.

4. Liability Benchmark:

This a prudential indicator (which is obliged to be published) to help establish whether the Council is likely to be a long-term borrower or long-term investor. The liability benchmark is a calculation of the cumulative amount of external borrowing the Council must hold to fund its capital plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

Ref.	Liability Benchmark	31/03/25 Actual (£m)	31/03/26 Forecast (£m)	31/03/27 Forecast (£m)	31/03/28 Forecast (£m)
1	Capital Financing Requirement (CFR)	45	61	74	78
2	Less: Balance sheet resources	57	23	21	23
3	Net loans requirement (Negative shows surplus cash/ Positive are external borrowing requirement)	-12	38	53	55
4	Plus: Investments held for liquidity allowance.	14	5	5	5
5	Liability benchmark + are external; borrowing required. (Negative shows net surplus cash/ Positive is an external borrowing requirement)	2	43	58	60
			<- Forecast externally borrowed ->		

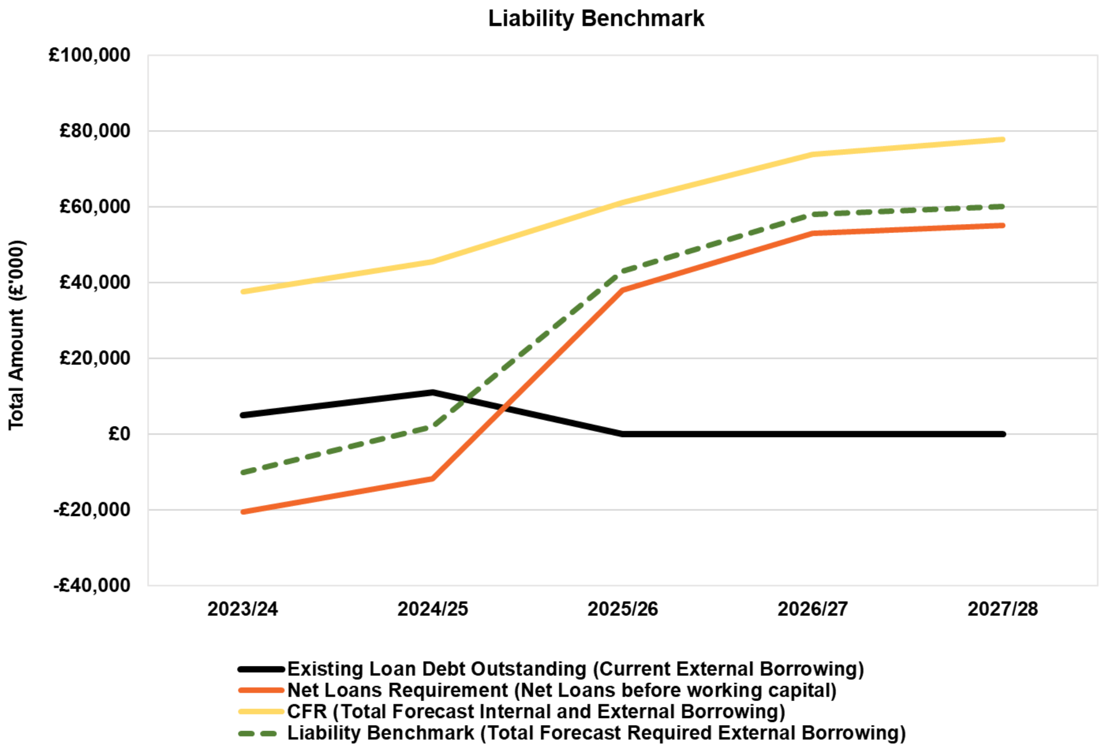
The table above shows
Ref/row 1 our capital financing requirement, being total external and internal borrowing needed to fund the capital programme. At 31/03/25 the capital programme needed £45m of borrowing.

Ref2/row 2: shows the balance sheet resources available to use as internal borrowing instead of external debt. Where most of the resource is revenue reserves and capital grants and contributions.

Ref 3 A positive figure means external borrowing is being forecast. However, further allowance must be made to ensure the Council has a minimum level of liquidity cash available (row 4).

Ref /row 5 shows the forecasts identify total year end external borrowing need of £2m for 2024/25. Actual external debt was £9m higher being £11m, as some funds were held by the Council for longer period than planned. A new projection shows external borrowing needed of £43m at end of 2025/26 and £58m at the end of 2026/27. After allowing for liquidity requirements of at least £5m

The liability benchmark is shown graphically



Investments

5. Officers with appropriate knowledge and training invest the Council's cash balances. MUFG Corporate Markets (Previously known as Link Treasury Services) were used as advisers on treasury management to help inform the decision-making process.

6. The Council's cash is invested in the following priority order, in accordance with statutory guidance:

    i) Security – protecting the capital sum invested from loss

ii) Liquidity – ensuring the funds invested are available for expenditure when needed

iii) Yield – subject to achieving proper security and liquidity, to pursue a yield on investments to support service provision

The regulations and CIPFA both advise that absolute certainty of security of capital and liquidity does not have to be achieved before seeking yield from investments. An appropriate balance of all three should be sought and that balance is determined by the Council in its Treasury Strategy.

7. The Council forecast its expected cashflow to manage its in-house investments and liquidity. This allows officers to separate in-house funds into two categories:

- Shorter term, lower yielding investments – these investments are invested for relatively short durations, normally 3-6 months, in order to ensure that the maturity profile of investments matches the peaks and troughs in the Council's liquidity needs – particularly for the final 2 months of the year where council tax income falls significantly due to the 10 monthly instalments most residents choose to pay in.
- Longer term, higher yielding investments – these are investments of 'core cash' or also known as 'balance sheet resources' which the Council does not require for operational purposes within the short to medium term. Core cash comes from the Council having for example reserves, such as the General revenue balance. These core cash balances can be invested for a year or more in appropriate counterparties in-order-to generate higher yields without causing liquidity issues. The Council has committed its long term funds via the multi assets funds described in 10.1 below.

8. The Council's investment portfolio decreased from £25.8m 31st March 2024 to a closing balance of £22.8m on 31st March 2025, reflecting a large range of factors but the long trend is reduced amount of cash invested due to funding capital investment. The committee has received a report on cashflow planning from officers, to assist in scrutiny of treasury management activities.

<u>Indicators to demonstrate Compliance with the Approved Treasury Management Strategy</u>

9. A summary of the approved treasury management strategy, together with actual outcomes is presented below:

a.	**To ensure that there are no breaches of the approved counterparty limits or durations**	No breach occurred.
b.	**To maintain a target balance of £5m of short notice funds to manage liquidity**	The Council held balances within target of available cash within 35 days parameters.
c.	**To maintain long term investments within set limit of £20m**	Long term investments holding were within parameters

The total bail in risk (direct and pooled) moved to 100% mostly due to the portfolio shrinking in overall value.

Exposure	**2023/24**	**2024/25**
Bail In Risk -Direct investment (NatWest holding)	1%	1%
Bail In Risk – Pooled Fund Managers and Money Market Funds	68%	99%
Exempt from Bail In (including CCLA property)	21%	0%
Total	100%	100%

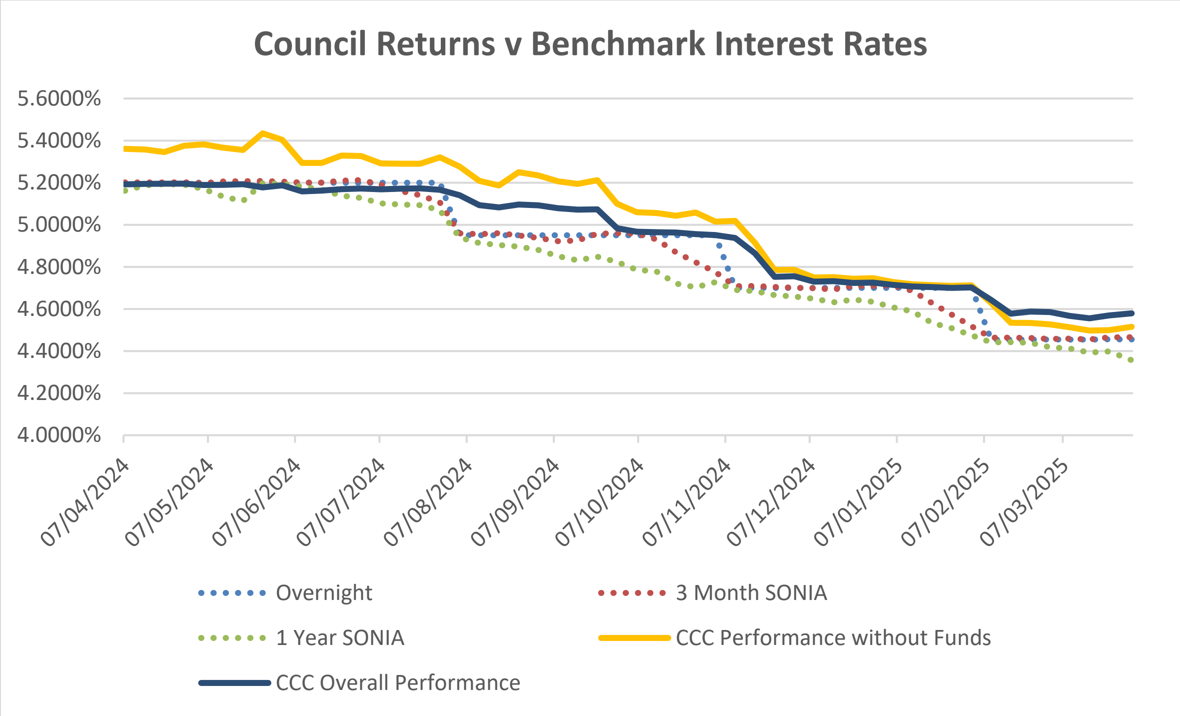
Counter Party

Money Market Funds & Long-Term Funds	Credit Rating (Fitch)	Sum Invested (31/03/2025)	Limits 2024/25
Black Rock Money Market Fund	AAAmmf	£90	£6,000,000
Insight Money Market Fund	AAAmmf	£1,066,110	£6,000,000
Federated Money Market Fund	AAAmmf	£6,000,000	£6,000,000
Deutsche Money Market Fund	AAAmmf	£1,470	£6,000,000
Invesco Money Market Fund	AAAmmf	£2,691,130	£6,000,000
BNP Paribas Money Market Fund	AAAmmf	£3,714,390	£6,000,000
Aegon Multi Asset Fund	N/A	£3,295,090	Total of £10,000,000
Ninety-One Multi Asset Fund	N/A	£2,963,900	
CCLA Multi Asset Fund	N/A	£2,793,850	
Banks & Building Societies			
Natwest	A+	£236,430	£3,000,000
Total Investments		**£22,762,460**	

Return on investments

10. UK Interest rates has been at the highest levels since 2008, and they began the year at 5.25% and ended at 4.5%. The budgeted average return was 4.9%.

    The below table highlights Sterling Overnight Rate (SONIA) as a comparison against the returns the City Council generated.



The Council earned a total of £1,834k in investment income during the 2024/25 financial year, which was £824k additional income over the £1,010k budget. This was mainly due to higher-than-average cash balances but also partly due to interest rates being higher than budgeted. £364K relates to holding of the capital contributions for longer than planned before it was spent.

10.1 Investment Funds

	Market investments (excluding Multi Asset Funds)	**Multi Asset Funds Income (Based on April 2024 Valuation)**	**All Investments Income Yield**
	Year ending 31/03/2025		
Average yield	5.02%	4.74%	4.94%

The yields above have used the opening balance for calculations purposes.

The City Council held funds in 3 Multi-Asset Funds at end of the financial year as it served notice on the CCLA Property Fund with it maturing at the end of May 2024. A realised gain of £1,041K was made on the fund and this has been transferred to an earmark reserve. The total balance invested makes up part of the Council's core cash that it is expected to hold for the long term.

Income returns on the 3 remaining funds are outlined below along with the closing capital value of the fund, initial investment value and unrealised gain or loss.

Fund	Initial Investment Value £	1/04/2024 Investment Value £	31/03/2025 Investment Value £	Unrealised +Gain/(Loss) (since inception) £	Income Return (Based on 1st April 2024 Valuation)
CCLA Cautious Fund	3,100,000	2,953,210	2,793,852	(306,148)	3.14%
Aegon DIF	3,600,000	3,318,477	3,295,096	(304,904)	5.79%
Ninety One DIF	3,300,000	2,972,055	2,963,896	(336,104)	4.95%

Total Income from the funds during 2024/25 was £486,654 including the dividends for CCLA Property fund (two months in 2024/25).

The unrealised loss on all the fund assets during the financial year 2024/25 increased by £191k. The valuation of the funds has been affected by and global economy and in particular the impact of the tariffs imposed by the US. The fund portfolio has a net overall unrealised loss of £947K when comparing to initial investment value. These investments are seen as medium to long term investments and so capital values will fluctuate up and down during this investment horizon.

The income generating performance of the CCLA Cautious Multi-Asset Fund was disappointing and has been heavily impacted by the US tariffs. As the fund’s strategy, they are heavy exposed to US shares. The CCLA fund value was £2.97m in August and it had fallen to £2.94m by end of January before the tariff announcements. Since the tariffs were announced, the fund had fallen to £2.79m (a reduction of £144K at the end of March). The CCLA fund has set a medium-term target return of CPI + 2% and officers continued to be concerned with the return of this fund both in terms of capital and interest.

The other two funds have also suffered a loss for the year in capital value but relatively small given the current circumstances. Prior to the tariff announcements both had been showing recovering values. However, by the end of the year the Ageon fund was down £24K and Ninety One fund down £8K for the year. Both funds have a higher income return than the average expected borrowing rate of the Council.

<u>Conclusion</u>

The Council has operated within its Treasury Management Framework. This has enabled the Council to safeguard its financial assets and produce a good level of return relative to the prevailing market interest rates. The CCLA multi-asset fund remains a concern regarding its performance.