Treasury Management Outturn Report 2024/25

Contents

1.0 Purpose

This Council is required by regulations issued under the Local Government 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).

During 2024/25 the minimum reporting requirements were that the Full Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 21/02/2024)
- a mid-year, (minimum), treasury update report (Council 11/12/2024)
- an annual review following the end of the year describing the activity compared to the strategy, (this report)

In addition, this Cabinet has received quarterly treasury management update reports on the following date 18/06/2024.

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.

This 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 Overview and Scrutiny Panel (Performance and Growth) before they were reported to the Full Council. Member training on treasury management issues was undertaken during the year on 23/10/2024 in order to support members' scrutiny role.

2.0 Executive Summary

During 2024/25, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Prudential and treasury indicators	2023/24 Actual £m	2024/25 Original £m	2024/25 Actual £m
Capital Expenditure	**13.408**	**26.073**	**16.851**[1]
Capital Financing Requirement[2]	**72.341**	**77.783**	**72.855**
Gross Borrowing	**34.27**	**34.26**	**34.26**
Investments			
Less than 1 year	62.36		65.12
Longer than 1 year[3]	5.98		5.98
Total	**68.34**		**71.10**
Net Investing	**34.07**		**36.84**

(1) Further details of capital expenditure can be found in the Finance Performance Report Provisional Outturn 2024/25

(2) The detailed Capital Financing Requirement is available in the Statement of Accounts 2024/25.

(3) CCLA Property Fund and Loans to Urban & Civic and Somersham Parish Council.

Other prudential and treasury indicators are to be found in the main body of this report. The Corporate Director (Finance and Resources) also confirms that borrowing was only undertaken for a capital purpose and the statutory borrowing limit, (the authorised limit), was not breached.

3.0 Introduction and Background

This report summarises the following:-

- Capital activity during the year;
- Impact of this activity on the Council's underlying indebtedness, (the Capital Financing Requirement);
- The actual prudential and treasury indicators;
- Overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances;
- Summary of interest rate movements in the year;
- Detailed investment activity.

4.0 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), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give 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.

General Fund	**2024/25 Original Budget £m**	**2024/25 Current Budget[1] £m**	**2024/25 Actual £m**
Capital expenditure	**26.073**	**31.900**	16.851
Financed in year	20.938	24.240	13.513[2]
Unfinanced capital expenditure	**5.135**	**7.660**	**3.338**

[1]Includes rephased expenditure from 2024/25
[2]Excludes Minimum Revenue Provision contribution

5.0 Council's Overall Borrowing Need

The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2024/25 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies, (such as the Government, through the Public Works Loan Board [PWLB], or the money markets), or utilising temporary cash resources (e.g. reserves not yet used) within the Council.

Reducing the CFR – the Council's (General Fund) underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This is effectively a provision for repaying loan principals. This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR, as the CFR includes on expenditure and funding items such as grants and capital receipts.

The total CFR can also be reduced by:

- the application of additional capital financing resources, (such as unapplied capital receipts and funding); or
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

The Council's 2024/25 MRP Policy, (as required by MHCLG Guidance), was approved by Council as part of the Treasury Management Strategy Report for 2024/25 on 21/02/2024.

The Council's CFR for the year is shown below, this is a key prudential indicator. It includes leases on the balance sheet, which increase the Council's borrowing need. No borrowing is actually required against lease schemes as a borrowing facility is included in the contract.

CFR (£m): General Fund	2024/25 Original Budget	2024/25 Current Budget[1]	2024/25 Actual
Opening balance	**75.653**	**72.341**	**72.341**
Add unfinanced capital expenditure (as above)	5.135	7.660	3.338
Less MRP	3.006	2.824	2.824
Closing Balance	**77.783**	**77.177**	**72.855**

[1] Includes rephased expenditure from 2024/25

Borrowing activity is constrained by prudential indicators for gross borrowing and the CFR, and by the authorised limit.

Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (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. This indicator allowed the Council some flexibility to borrow in advance of its immediate capital needs. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

	31.3.24 Actual £m	Movement £m	31.3.25 Actual £m
Gross borrowing position	34.27	(0.01)[1]	34.26
CFR	72.34	0.52	72.86
Underfunding of CFR	38.07	0.53	38.60

[1] A repayment was made on the Salix loan, the PWLB borrowing is paid off at maturity.

Although capital expenditure cannot be charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e., the amount funded from Council Tax, business rates and general government grants.

Proportion of Financing Costs to Net Revenue Stream	2023/24 Actual £000s	2024/25 Actual £000s	2025/26 Budget £000s	2026/27 Budget £000s	2027/28 Budget £000s
Net revenue stream	22,170	26,058	26,464	25,165	25,178
Financing Costs[1]	3,633	3,795	4,156	4,757	4,836
Proportion of net revenue stream	**16.4%**	**15.0%**	**16.0%**	**19.0%**	**19.0%**

[1] MRP and interest paid (PWLB), interest received is not included.

The authorised limit - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2024/25 the Council has maintained gross borrowing within its authorised limit.

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.

Actual financing costs as a proportion of net revenue stream - this indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream.

Authorised Limit and Operational Boundary[1]	2024/25 £m
Authorised limit	135.00
Maximum gross borrowing position during the year	34.27
Operational boundary	115.00
Average gross borrowing position	34.265
Financing costs as a proportion of net revenue stream	15%

[1] These limits are set in the Treasury Management Strategy each year, and approved at Council.

6.0 The Treasury Position as of 31st March 2025

The Council's treasury management debt and investment position is organised in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices (Procedure Notes). At the end of 2024/25 the Council's treasury position was as follows:-

DEBT PORTFOLIO	31.3.24 £m	Weighted Average Rate	Average Life yrs	31.3.25 £m	Weighted Average Rate	Average Life yrs
Fixed rate funding:						
-PWLB	34.25	2.84%	20.5	34.25	2.84%	19.5
-Salix	0.02	0%	1.9	0.01	0%	0.9
Total debt	**34.27**	**2.84%**	**20.5**	**34.26**	**2.84%**	**19.5**
CFR	**72.34**			**72.86**		
Over / (under) borrowing	**38.07**			**38.60**		
Total investments[1]	**66.35**	**5.2%**	**80 days**	**69.11**	**4.5%**	**81 days**
Net debt						

[1] Treasury investments includes bank deposits, Money Market Funds, DMO deposits, CCLA property fund.

The maturity structure of the debt portfolio was as follows:

	31.3.24 Actual	2024/25 Upper Limit	31.3.25 actual
Under 12 months[1]	0.0%	80%	0.02%
12 months and within 24 months	0.1%	80%	0.0%
24 months and within 5 years	0.0%	80%	0.0%
5 years and within 10 years	0.0%	100%	0.0%
10 years and within 20 years[2]	70.8%	100%	70.79%
20 years and above[2]	29.1%	100%	29.19%
Total	**100.0%**		**100.0%**

[1] Salix
[2] PWLB

INVESTMENT PORTFOLIO	31.3.24 Actual £m	31.3.24 Actual %[1]	31.3.25 Actual £m	31.3.25 Actual %[1]
Treasury investments				
Banks	0.553	3.24	0.333	2.50
DMADF DMO (HM Treasury)	45.600	5.19	47.750	4.45
Money Market Funds	16.200	5.25	17.030	4.51
Property Fund	4.000	4.62	4.000	4.50

TOTAL TREASURY INVESTMENTS	66.353	5.16	69.113	4.45
Non-Treasury investments				
Loans to Other Organisations	1.988	7.25	1.986	7.85
TOTAL INVESTMENTS	68.341	7.25	71.099	7.85

(1)Weighted return - based on the rate of return and the investments held as at 31/03/2025.

The maturity structure of the investment portfolio was as follows:

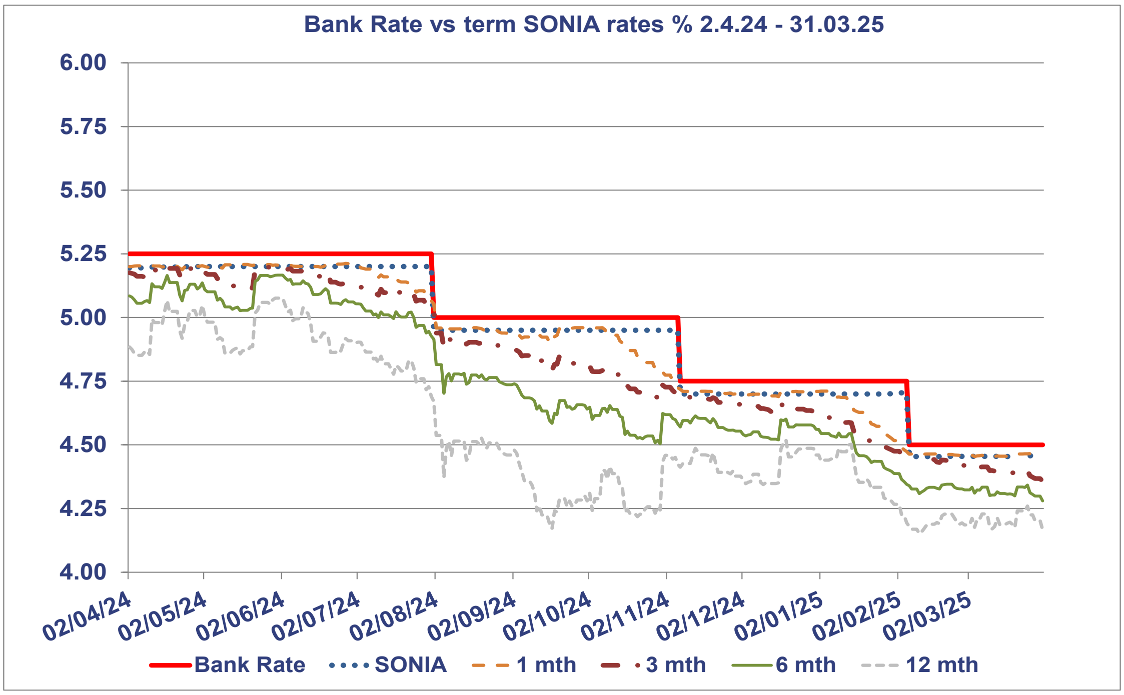
Maturity	31.3.24 Actual £m	31.3.25 Actual £m
Investments		
Up to 1 year (1)	62.357	65.115
Longer than 1 year (2)	5.984	5.984
TOTAL	**68.341**	**71.099**

(1) Bank deposits, Money Market Funds, DMO deposits, Somersham PC loan.
(2) CCLA Property Fund, Urban and Civic Loan.

7.0 The Treasury Strategy for 2024/25

7.1 Investment strategy and control of interest rate risk

Investment Benchmarking Data – Sterling Overnight Index Averages (Term) 2024/25



FINANCIAL YEAR TO QUARTER ENDED 31/03/2025							
	Bank Rate	SONIA	7 day	30 day	90 day	180 day	365 day
High	5.25	5.20	5.20	5.21	5.23	5.26	5.33
High Date	02/04/2024	03/05/2024	13/05/2024	26/06/2024	26/07/2024	26/07/2024	01/08/2024
Low	4.50	4.45	4.46	4.46	4.58	4.73	5.02
Low Date	06/02/2025	12/02/2025	13/02/2025	12/03/2025	31/03/2025	31/03/2025	31/03/2025
Average	4.95	4.90	4.91	4.94	5.02	5.11	5.22
Spread	0.75	0.75	0.75	0.75	0.65	0.53	0.30

Investment returns remained robust throughout 2024/25 with Bank Rate reducing steadily through the course of the financial year (three 0.25% rate cuts in total), and even at the end of March the yield curve was still relatively flat (i.e. not much differential between investment periods), which might be considered unusual as further Bank Rate cuts were expected in 2025/26.

Bank Rate reductions of 0.25% occurred in August, November and February, bringing the headline rate down from 5.25% to 4.5%.

As of early April 2025, the market has been heavily influenced of late by President Trump's wide-ranging trade tariffs policy. 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.

Looking back to 2024/25, investors were able to achieve returns in excess of 5% for all periods ranging from 1 month to 12 months in the spring of 2024 but by March 2025 deposit rates were some 0.75% - 1% lower (note reduction in the Council's return from 5.2% in 2023/24 and 4.5% in 2024/25). Extending the duration of investments through the use of "laddered investments", paid off (i.e. regular periodic maturing investments), as rates were often higher for short investing periods, than they were for longer periods.

Concerns over rising inflation after the Autumn Statement in October led to reduced expectations for Bank Rate to fall. Indeed, the CPI measure of inflation is expected to reach c3.75% by the autumn of 2025, which would exceed the Bank of England's target of 2%. At the end of March, only two further rate cuts were priced into the market for 2025 (4% at December 2025). A week later and sentiment has changed dramatically in the wake of the equity market sell-off to the extent that markets now expect three Bank Rate reductions between May and December 2025 (Bank Rate to fall to 3.75%).

7.2 Borrowing strategy and control of interest rate risk

During 2024/25, the Council maintained an under-borrowed position. This means 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 avoided taking on of long-term borrowing at elevated levels (above 5%) and has focused on a policy of internal borrowing, no short-term temporary borrowing was undertaken.

Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Corporate Director (Finance and Resources) therefore monitored interest rates in financial markets and would have adopted a pragmatic borrowing strategy, if it had been required, based upon the following principles to manage interest rate risks

- if it had been felt that there was a significant risk of a sharp FALL in long and short-term rates, (e.g., due to a marked increase of risks around a relapse into recession or of risks of deflation), then long term borrowings would have been postponed, and potential rescheduling from fixed rate funding into short term borrowing would have been considered.

- if it had been felt that there was a significant risk of a much sharper RISE in long and short-term rates than initially expected, perhaps arising from the stickiness of inflation in the major developed economies, then the portfolio position would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years.

Interest rate forecasts initially suggested gradual reductions in short, medium and longer-term fixed borrowing rates during 2024/25. The 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. Forecasts were too optimistic from a rate reduction perspective.

At the start of April 2025, following the introduction of President Trump's trade tariffs policies, the market now expects Bank Rate to fall to 3.75% by the end of December 2025, pulling down the 5- and 10-year parts of the curve as well.

This should provide an opportunity for greater certainty to be added to the debt portfolio, although a significant fall in inflation will be required to underpin any material movement lower in the longer part of the curve.

The tables below show how interest rate expectations changes during 2024/25

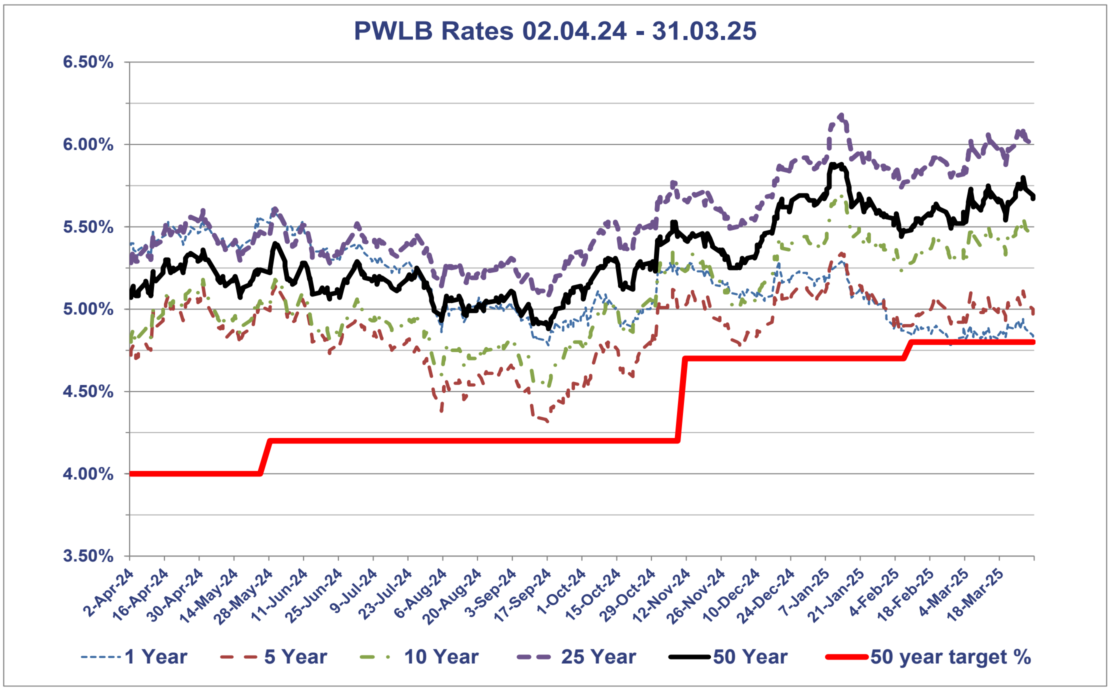
MUFG Corporate Markets Interest Rate View 10.02.25													
	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28
BANK RATE	4.50	4.25	4.25	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50	3.50
3 month ave earnings	4.50	4.30	4.30	4.00	3.80	3.80	3.50	3.50	3.50	3.50	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

MUFG Corporate Markets Interest Rate View 11.11.24													
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
BANK RATE	4.75	4.50	4.25	4.00	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50
3 month ave earnings	4.70	4.50	4.30	4.00	4.00	4.00	3.80	3.80	3.80	3.50	3.50	3.50	3.50
6 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
12 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
5 yr PWLB	5.00	4.90	4.80	4.60	4.50	4.50	4.40	4.30	4.20	4.10	4.00	4.00	3.90
10 yr PWLB	5.30	5.10	5.00	4.80	4.80	4.70	4.50	4.50	4.40	4.30	4.20	4.20	4.10
25 yr PWLB	5.60	5.50	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.50
50 yr PWLB	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.40	4.30	4.30

MUFG Corporate Markets Interest Rate View 28.05.24												
	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.00	4.50	4.00	3.50	3.25	3.25	3.25	3.25	3.00	3.00	3.00
3 month ave earnings	5.30	5.00	4.50	4.00	3.50	3.30	3.30	3.30	3.30	3.00	3.00	3.00
6 month ave earnings	5.30	4.90	4.40	3.90	3.50	3.30	3.30	3.30	3.30	3.10	3.10	3.20
12 month ave earnings	5.10	4.80	4.30	3.80	3.50	3.40	3.40	3.40	3.40	3.20	3.30	3.40
5 yr PWLB	4.90	4.70	4.50	4.30	4.10	4.00	3.90	3.90	3.90	3.90	3.90	3.80
10 yr PWLB	5.00	4.80	4.60	4.40	4.30	4.10	4.10	4.10	4.00	4.00	4.00	3.90
25 yr PWLB	5.30	5.20	5.00	4.80	4.70	4.50	4.50	4.40	4.40	4.40	4.30	4.30
50 yr PWLB	5.10	5.00	4.80	4.60	4.50	4.30	4.30	4.20	4.20	4.20	4.10	4.10

MUFG Corporate Markets Interest Rate View 08.01.24													
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.60	4.10	3.70	3.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.40	3.90	3.60	3.20	3.10	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

7.3 PWLB Rates



HIGH/LOW/AVERAGE PWLB RATES FOR 2024/25

	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%

PWLB rates are based on gilt (UK Government bonds) yields through HM Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, inflation expectations and movements in US treasury yields. Inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation and the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, and inflation. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years. Indeed, in recent years many bond yields up to 10 years in the Eurozone turned negative on expectations that the EU would struggle to get growth rates and inflation up from low levels. In addition, there has, at times, been an inversion of bond yields in the US whereby 10-year yields have fallen below shorter-term yields. In the past, this has been a precursor of a recession.

However, since early 2022, yields have risen dramatically in all the major developed economies, first as economies opened post-Covid; then because of the inflationary impact of the war in Ukraine in respect of the supply side of many goods. In particular, rising cost pressures emanating from shortages of energy and some food categories have been central to inflation rising rapidly. Furthermore, at present the US Fed, ECB and Bank of England are all being challenged by levels of persistent inflation that are exacerbated by tight labour markets and high wage increases relative to what central banks believe to be sustainable.

Gilt yields have been volatile through 2024/25. Indeed, the low point for the financial year for many periods was reached in September 2024. Thereafter, and especially following the Autumn Statement, PWLB Certainty rates have remained elevated at between c5% - 6% with the exception of the slightly cheaper shorter dates.

At the close of 31 March 2025, the 1-year PWLB Certainty rate was 4.82% whilst the 25-year rate was 5.98% and the 50-year rate was 5.67%.

Regarding PWLB borrowing rates, the various margins attributed to their pricing are as follows: -

- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60 basis points (G+60bps)

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 measure) moves lower.

As a general rule, short-dated gilt yields will reflect expected movements in Bank Rate, whilst medium to long-dated yields are driven primarily by the inflation outlook.

The Bank of England is also continuing on a process of Quantitative Tightening. The Bank's original £895bn stock of gilt and corporate bonds will gradually be sold back into the market over several years (currently c£623bn). The impact this policy will have on the market pricing of gilts, while issuance is still markedly increasing, and very high in historic terms, is an unknown at the time of writing.

8.0 The Borrowing Outturn

Treasury Borrowing

Due to significant cash balances, there was no need to undertake any borrowing during the year.

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 approximate 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

9.0 The Investment Outturn

Investment Policy – the Council's investment policy is governed by MHCLG investment guidance, which has been implemented in the annual investment strategy approved by the Council on 21/02/2024. 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, and the Council had no liquidity difficulties i.e. meeting cash outflows. Investments have been in bank deposits (Natwest), money market funds, and the Debt Management Office.

Resources – the Council's cash balances comprise revenue and capital resources and cash flow monies. The Council's core cash resources comprised as follows:

Balance Sheet Resources (£m)	**31.3.24**	**31.3.25**
Capital Financing Requirement	**72.3**	**72.9**
Less Debt Liabilities(1)	**(0.5)**	**(0.5)**
External Borrowing (PWLB mainly)	**(34.3)**	**(34.3)**
Internal Borrowing	**37.5**	**38.1**
Balance Sheet Resources(2)	**(105.8)**	**(109.1)**
Investments	**(68.3)**	**(71.0)**

(1)This relates to Phoenix Court

(2)Includes from the balance sheet as at 31/03/2025 debtors, stock, long term debtor, cash and overdraft, creditors, capital grants received in advance, provisions, and usable reserves.

Investments held by the Council

- The Council maintained an average balance of £71.5m of internally managed funds.
- The treasury investments earned an average rate of return of 4.5%.
- Total investment income was £3.9m compared to a budget of £1.6m

The Authority is dependent on profit generating investment activity to achieve a balanced revenue budget. The table below shows the extent to which the expenditure planned to meet the service delivery objectives and/or place making role of the Authority is dependent on achieving the expected net profit from investments over the lifecycle of the Medium-Term Financial Strategy

Proportionality of Investments	**2023/24 Actual £000s**	**2024/25 Actual £000s**	**2025/26 Budget £000s**	**2026/27 Budget £000s**	**2027/28 Budget £000s**
Gross service expenditure	80,918	88,527	83,349	81,950	81,120
Net Investment income(1)	2,771	3,409	3,620	3,698	3,747
Proportion	**3.4%**	**3.9%**	**4.3%**	**4.5%**	**4.6%**

(1)This is Commercial Estates net income, CCLA Property Fund and Loan to Other Organisations.

10 Performance Measurement

One of the key requirements in the Code is the formal introduction of performance measurement relating to investments, debt and capital financing activities. Whilst investment performance criteria have been well developed and universally accepted, debt performance indicators continue to be a more problematic area with the traditional average portfolio rate of interest acting as the main guide, (as incorporated in the table in section 6). The Council's performance indicators were set out in the annual Treasury Management Strategy Statement.

This service has set the following performance indicators

Investment Benchmarking(1)

Benchmarking	Portfolio Risk Score(2)	Average Credit Rating	Weighted Average Maturity (days)	Rate of Return %
31.03.2024	1.02	AA	17	5.16
31.03.2025	1.02	AA-	19	4.45

(1) DMO, banks and MMFs, CCLA Property Fund.

(2) This score works on a scale of 1 to 7, with 7 the highest risk.

Security

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit Rating	31.3.25 Actual	2024/25 Target
Portfolio average credit rating	AA-	A-

(1) Credit ratings (Fitch, investment grade) are in descending order AAA, AA+, AA, AA-,A+,A,A-,BBB+,BBB,BBB-.

Liquidity

The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

	30.3.25 Actual £m	2024/25 Target £m
Total cash available within 3 months	65.11	10

Interest Rate Exposures

This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest were:

Interest rate risk indicator	31.3.25 Actual	2024/25 Limit
Upper limit on one-year revenue impact of a 1% rise in interest rates	£443,932 (Net Income)	£630,000 (Income)
Upper limit on one-year revenue impact of a 1% fall in interest rates	£443,932 (Net Expenditure)	£630,000 (Expenditure)

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at the same amount. This risk is being managed by the use of fixed interest loans from the PWLB. The total interest earned in 2024/25 was £3.6m (2023/24 £3.5m) and total interest paid £1.0m (2023/24 £1.0m).

Long Term Treasury Management Investments

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments.

Price risk indicator	2024/25 Limit £m	2024/25 Actual £m
Limit on principal invested beyond year end (CCLA Property Fund)	12	4

11.0 The Economy and Interest Rates

UK Economy

UK inflation has proved somewhat stubborn throughout 2024/25. Having started the financial year at 2.3% year on year (April), the CPI measure of inflation briefly dipped to 1.7% year on year in September before picking up pace again in the latter months. The latest data shows CPI rising by 2.8% year on year (February), but there is a strong likelihood that figure will increase to at least 3.5% by the Autumn of 2025.

Against that backdrop, and the continued lack of progress in ending the Russian invasion of Ukraine, as well as the potentially negative implications for global growth as a consequence of the implementation of US tariff policies by US President Trump in April 2025, Bank Rate reductions have been limited. Bank Rate currently stands at 4.5%, despite the Office for Budget Responsibility reducing its 2025 GDP forecast for the UK economy to only 1% (previously 2% in October).

Moreover, borrowing has becoming increasingly expensive in 2024/25. Gilt yields rose significantly in the wake of the Chancellor’s Autumn Statement, and the loosening of fiscal policy, and have remained elevated ever since, as dampened growth expectations and the minimal budget contingency (<£10bn) have stoked market fears that increased levels of borrowing will need to be funded during 2025.

The table below provides a snapshot of the conundrum facing central banks: inflation pressures remain, labour markets are still relatively tight by historical comparisons, and central banks are also having to react to a fundamental re-ordering of economic and defence policies by the US administration.

	UK	Eurozone	US
Bank Rate	4.50%	2.5%	4.25%-4.5%
GDP	0.1%quarter to quarter Q4 (1.1%year on year)	0.1%quarter to quarter Q4 (0.7%year on year)	2.4% Q4 Annualised
Inflation	2.8%year on year (Feb)	2.3%year on year (Feb)	2.8%year on year (Feb)
Unemployment Rate	4.4% (Jan)	6.2% (Jan)	4.1% (Feb)

The Bank of England sprung no surprises in their March meeting, leaving Bank Rate unchanged at 4.5% by a vote of 8-1, but suggesting further reductions would be gradual. The Bank of England was always going to continue its cut-hold-cut-hold pattern by leaving interest rates at 4.50% but, in the opposite of what happened at the February meeting, the vote was more hawkish than expected. This suggested that as inflation rises later in the year, the Bank cuts rates even slower, but the initial impact of President Trump’s tariff policies in April 2025 on the financial markets underpin our view that the Bank will eventually reduce rates to 3.50%.

The Bank still believes inflation will rise from 2.8% in February to 3.75% in Q3. While in February it said “inflation is expected to fall back thereafter to around the 2% target”, this time it just said it would “fall back thereafter”. That may be a sign that the Bank is getting a bit more worried about the “persistence in domestic wages and prices, including from second-round effects”. Accordingly, although a series of rate cuts is expected over the next year or so, that does not contradict the

Bank taking “a gradual and careful” approach to cutting rates, but a tepid economy will probably reduce inflation further ahead and prompt the Bank to cut at regular intervals.

From a fiscal perspective, the increase in businesses’ national insurance and national minimum wage costs from April 2025 is likely to prove a headwind, although in the near-term the Government’s efforts to provide 300,000 new homes in each year of the current Parliament is likely to ensure building industry employees are well remunerated. Currently wages continue to increase at a rate close to 6% year on year. The MPC would prefer a more sustainable level of c3.5%.

As for equity markets, the FTSE 100 has recently fallen back to 7,700 having hit an all-time intra-day high 8,908 as recently as 3rd March. The £ has also endured a topsy-turvy time, hitting a peak of $1.34 before dropping to $1.22 in January and then reaching $1.27 in early April 2025.

USA Economy

Despite the markets willing the FOMC to repeat the rate cuts of 2024 (100 basis points in total), the Fed Chair, Jay Powell, has suggested that the Fed. Funds Rate will remain anchored at 4.25%-4.5% until inflation is under control, and/or the economy looks like it may head into recession as a consequence of President Trump’s tariff policies.

Inflation is close to 3% and annualised growth for Q4 2024 was 2.4%. With unemployment just above 4%, and tax cuts in the pipeline, the FOMC is unlikely to be in a hurry to cut rates, at least for now.

EuroZone Economy

The Eurozone economy has struggled throughout 2024 and is flat lining at present, although there is the promise of substantial expenditure on German defence/infrastructure over the coming years, which would see a fiscal loosening. France has struggled against a difficult political backdrop, but with a large budget deficit it is difficult to see any turn-around in economic hopes in the near-term.

With GDP currently below 1% in the Euro-zone, the ECB is likely to continue to cut rates, although the headline inflation rate is still above 2% (2.3% February 2025). Currently at 2.5%, a further reduction in the Deposit Rate to at least 2% is highly likely.

12.0 Other Treasury Management Issues

A. IFRS 9 fair value of investments

Following the consultation undertaken by the Ministry of Housing, Communities and Local Government [MHCLG] on IFRS 9, the Government has extended the mandatory statutory override for local authorities to reverse out all unrealised fair value movements resulting from pooled investment funds to 31st March 2029, with the exception of any new pooled investments from 1st April 2024. Local authorities are required to disclose the net impact of the unrealised fair value movements in a separate unusable reserve throughout the duration of the override in order for the Government to keep the override under review and to maintain a form of transparency. The unusable reserve is called the Financial Instruments Revaluation Reserve.

The Council's CCLA Property Fund investment falls in this category.

B. Non-treasury management investments.

The commercial property is dealt with in paragraph 13 and appendix 5. Also the Finance Performance Report Provisional Outturn 2024/25 will cover income and expenditure arising from the commercial properties.

C. Changes in risk appetite

The limits for Money Market Funds (MMFs) were adjusted upwards for 2024/25 from £4m to £5m, but the previous limit of £4m proved adequate for 2024/25. Investing limits with local authorities was increased from £2m to £4m and banks from £2m to £4m but neither increased limit was used. The Council's own bank Natwest was already set at a limit of £4m.

D. Sovereign limits

The sovereign lower limit has remained at AA- if any investments were to be made. The UK remains a special case if it were to fall below AA-.

E. IFRS 16

All lessee (leased in) assets are now (2024/25) considered finance leases (i.e. no longer operational leases). In practice the number of assets leased by the Council at a commercial rate is minimal, so should not impact the balance sheet. Especially since some leased assets are already on balance sheet and revalued regularly.

13.0 Commercial Investment Strategy

The council has adopted voluntary indicators for the Commercial Investment Strategy properties.

Indicator	2024/25 Forecast	2024/25 Actual	2025/26 Forecast
Interest Cover Ratio	2.1	1.8	2.1
Loan to Value Ratio	104.9%	107.5%	104.9%
Gross Rent Multiplier	13.6	12.7	13.6

Interest cover ratio is used to measure how readily a business can pay the interest due on loans. The higher the number, the increased likelihood that the interest will be paid. The reduction in 2024/25 is due to the vacant units at Fareham, Stonehill and Rowley Arts Centre. Loan to value is the value of the loan to the value of the property. If the percentage is over 100% that means the value of loan is currently more than the value of the property. Gross rent multiplier is the value of a property compared to its annual rental income the lower the number the more attractive the investment is.

The net income from Commercial Properties was £3.1m for 2024/25.

Net Income from Commercial and Service Investments

	2023/24 Actual £000s	2024/25 Actual £000s	2025/26 Budget £000s	2026/27 Budget £000s	2027/28 Budget £000s
Net income from Commercial and Service Investments(1)	2,771	3,409(2)	3,620	3,698	3,747
Net revenue stream	22,170	26,058	26,464	25,165	25,178
Proportion	12%	13%	14%	15%	15%

(1) CCLA Property Fund, loans to organisations, Commercial Estates net income.
(2) CCLA Property Fund £180k, Loans to Organisations £161k, Commercial Estates net income £3,068k.

Appendix 1: Prudential and treasury indicators

1. PRUDENTIAL INDICATORS	2023/24	2024/25	2024/25
Extract from the budget report	**Actual**	**Original**	**Actual**
	£'000	**£'000**	**£'000**
Capital Expenditure			
General Fund	13,408	26,073	16,851
TOTAL	**13,408**	**26,073**	**16,851**
Ratio of financing costs to net revenue stream			
General Fund	16%	15%	15%
Gross borrowing requirement General Fund			
brought forward 1 April	72,261	75,653[1]	72,341
carried forward 31 March	72,341	77,783	72,855
in year borrowing requirement	**80**	**2,130**	**514**
Gross debt	34,270	34,260	34,260
CFR			
General Fund	72,341	77,783	72,855
TOTAL	**72,341**	**77,783**	**72,855**
Annual change in Capital Financing Requirement			
General Fund	80	2,129	514
TOTAL	**80**	**2,129**	**514**

[1] The actual expenditure for 2023/24 is not known at the time the budget is assembled, so the opening CFR is based on the 2023/24 forecast expenditure

2. TREASURY MANAGEMENT INDICATORS	2023/24	2024/25	2024/25
	Actual	**Original**	**Actual**
	£'000	**£'000**	**£'000**
Authorised Limit for external debt -			
Borrowing (including other long-term liabilities)	95,000	95,000	95,000
Loans to other Organisations	15,000	15,000	15,000
CIS[1]	25,000	25,000	25,000
TOTAL	**135,000**	**135,000**	**135,000**
Operational Boundary for external debt -			
Borrowing (including other long-term liabilities)	75,000	75,000	75,000
Loans to other Organisations	15,000	15,000	15,000
CIS[1]	25,000	25,000	25,000
TOTAL	**115,000**	**115,000**	**115,000**
Actual external debt	34,270	34,260	34,260

[1]To allow for previously purchased assets

Maturity structure of fixed rate borrowing during 2024/25	Upper Limit	Lower Limit
under 12 months	80%	0%
12 months and within 24 months	80%	0%
24 months and within 5 years	80%	0%
5 years and within 10 years	100%	0%
10 years and within 20 years	100%	0%
20 years and above	100%	0%
Maturity structure of investments during 2024/25	**Upper limit**	**Actual**
Longer than 1 year Total	£12m	£4m

Appendix 2: Graphs – Economy

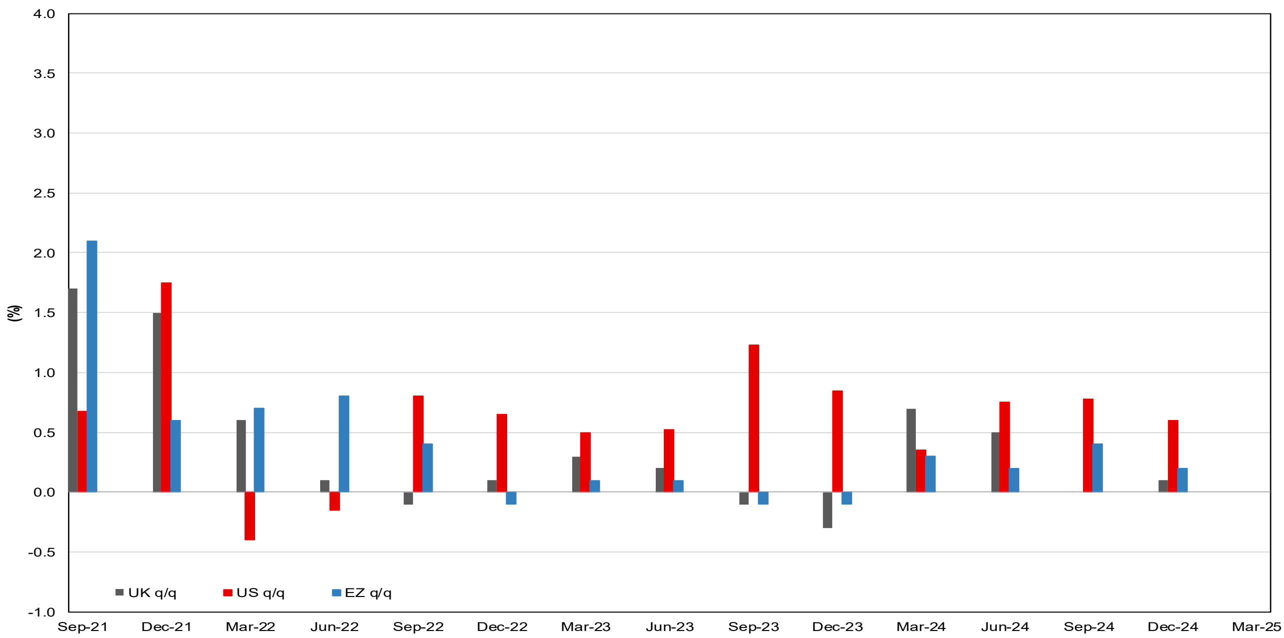
Interest Rate, GDP and Earnings Graphs

Market Expectations for Future Increases in Bank Rate (8th April 2025)

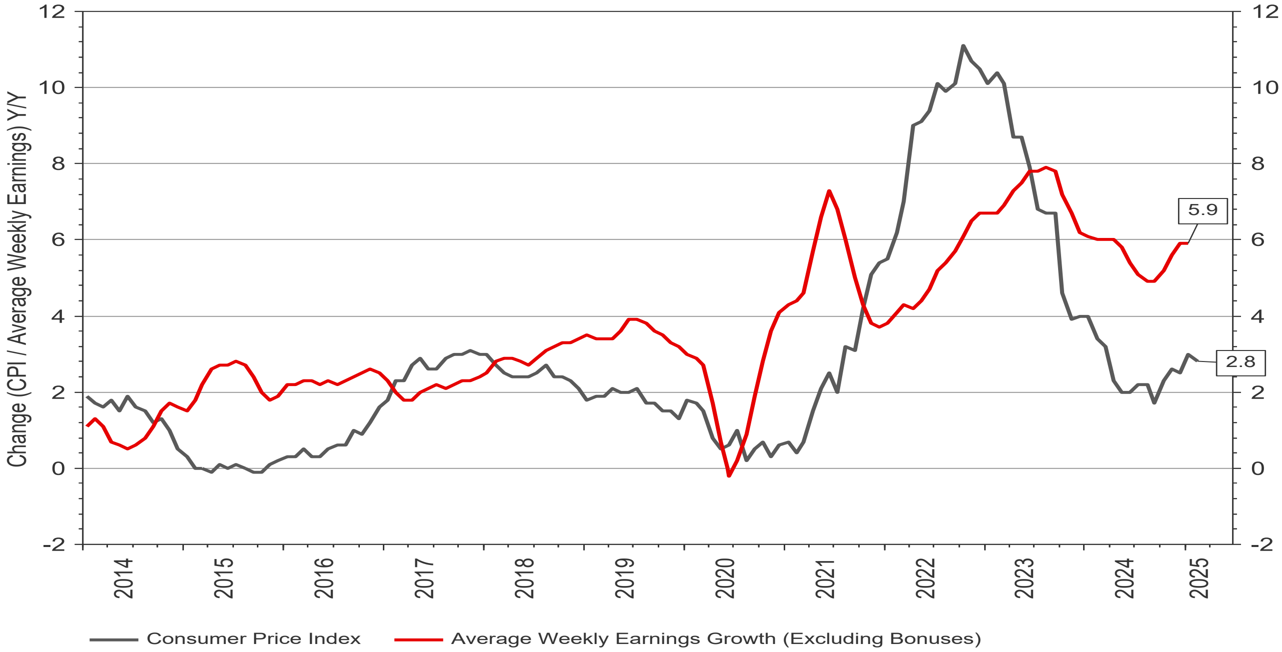
Source: Reuters Eikon

*MD0 = Change in Bank Rate expected at MPC meeting to be held May 2025, MD1 = Jun-25, MD2 = Aug-25, MD3 = Sep-25, MD4 = Nov-25.

UK, US and EZ Quarterly GDP



CPI v Average Weekly Earnings Growth



Source: LSEG Datastream

Appendix 3: Investment Portfolio

Investments held as of 31st March 2025 compared to the counterparty list:

	31.3.25 Actual £m	2024/25 Limit £m
Deposit Accounts		
NatWest	0.332	4.00
Barclays	0.001	4.00
Government and LAs		
Debt Management Office (DMO) - HMG	47.75	unlimited
Money Market Funds		
Aberdeen Liquidity Fund	2.55	5.00
BlackRock Institutional sterling liquidity Fund	2.56	5.00
CCLA Public Sector Deposit Fund	2.18	5.00
Federated Short Term Prime Fund	2.55	5.00
HSBC ESG	2.35	5.00
Insight Liquidity Funds	1.20	5.00
Invesco	2.44	5.00
Legal & General Sterling Liquidity Fund	1.20	5.00
Total	**65.11**	
Long-term Investments CCLA Property Fund	4.00	5.00
Total	**69.11**	

Appendix 4: Approved countries for investments as of 08.04.25

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the MUFG Corporate Markets creditworthiness service.

Based on lowest available rating

AAA

- Australia
- Denmark
- Germany
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- Qatar

AA-

- Belgium
- France
- **U.K.**

THIS LIST IS AS AT 08.04.25

Appendix 5 Commercial Investment Property Listing

Commercial Investment Property	31/03/2023 Value £000s	Gain/(Loss) Additions £000s	31/03/2024 Value £000s	Gain/(Loss) Additions £000s	31/03/2025 Value £000s
Legacy Properties;					
Huntingdon					
Cinema and Shops	540	12	552	(5)	547
Oak Drive Shops	977	134	1,111	(52)	1,059
Mayfield Road Shops	750	(8)	742	(62)	680
Pub Site Sapley Square	193	0	193	0	193
Oak Tree Health Centre	11,786	0	11,786	0	11,786
Clifton Road Industrial Units	1,825	0	1,825	(79)	1,746
Alms Close Industrial Units	1,453	102	1,555	86	1,641
Land Clifton Road	144	0	144	0	144
Land St Peters Road	2,930	0	2,930	0	2,930
Land Redwongs Way	380	5	385	0	385
Phoenix Court Units	621	(252)	369	479	848
	21,599	**(7)**	**21,592**	**367**	**21,959**
St Ives					
Library Row Shops	532	29	561	0	561
Enterprise Centre	883	0	883	79	962
	1,415	**29**	**1,444**	**79**	**1,523**
St Neots					
Queens Gardens Shops	430	78	508	17	525
Naseby Gardens Shops	273	0	273	0	273
Leys Road Shops	117	9	126	0	126
Cambridge Street Shops	140	(8)	132	0	132
Cambridge Street	719	0	719	0	719
Levellers Lane Industrial	5,220	(115)	5,105	32	5,137
Caravan Site Rush Meadows	257	0	257	0	257
Café Riverside Park	158	0	158	0	158
	7,314	**(36)**	**7,278**	**49**	**7,327**
Total	**30,328**	**(14)**	**30,314**	**495**	**30,809**
CIS Properties					
2 Stonehill, Huntingdon	2,481	(205)	2,276	0	2,276
80 Wilbury Way, Hitchin	1,873	35	1,908	0	1,908
Shawlands Retail Park,	6,055	(273)	5,783	(232)	5,551
Parkway Fareham	4,037	0	4,037	0	4,037
Rowley Arts Centre, St Neots	6,641	(98)	6,543	(644)	5,899
Little End Road, St Neots	3,321	(33)	3,288	1,977	5,265
Tri-link, Wakefield	14,748	(62)	14,686	1,264	15,950
Alms Close, Huntingdon	1,447	2	1,449	57	1,506
	40,603	**(634)**	**39,970**	**2,351**	**42,392**
Total	**70,931**	**(648)**	**70,284**	**2,847**	**73,201**

Note Trilink/Little End Road gains due to rent increases. Shawlands/Rowley loses due to vacancies and rent reductions.

Appendix 6 Glossary

Bail in Risk
Bail in risk arises from the failure of a bank. Bondholders or investors in the bank would be expected to suffer losses on their investments, as opposed to the bank being bailed out by government.

Bank Equity Buffer
The mandatory capital that financial institutions are required to hold, in order to provide a cushion against financial downturns, to ensure the institution can continue to meet it liquidity requirements.

Bank Rate
The official interest rate of the Bank of England, this rate is charged by the bank on loans to commercial banks.

Bank Stress Tests
Tests carried out by the European Central Bank on 51 banks across the EU. The tests put banks under a number of scenarios and analyse how the bank's capital holds up under each of the scenarios. The scenarios include a sharp rise in bond yields, a low growth environment, rising debt, and adverse action in the unregulated financial sector.

Basis Point
1/100th of 1% i.e. 0.01%. 10 basis points is 0.1%.

Bonds
A bond is a form of loan, the holder of the bonder is entitled to a fixed rate of interest (coupon) at fixed intervals. The bond has a fixed life and can be traded.

Call Account
A bank account that offers a rate of return and the funds are available to withdraw on a daily basis.

Capital Financing Requirement (CFR)
The CFR is a measure of the capital expenditure incurred historically but has yet to be financed; by for example capital receipts or grants funding. The current CFR balance is therefore financed by external borrowing, and internal borrowing (i.e. use of working capital on the balance sheet – creditors, cash etc).

Capital Receipts
Funds received when an asset is sold. This can be used to fund new capital expenditure.

Certificate of Deposit
Evidence of a deposit with a financial institution repayable on a fixed date. They are negotiable instruments, and have a secondary market, and can be sold before maturity.

Collar (Money Market Fund)
The fund "collar" forms part of the valuation mechanism for the fund. LVNAV funds allow investors to purchase and redeem shares at a constant NAV calculated to 2 decimal places, i.e. £1.00. This is achieved by the fund using amortised cost for valuation purposes, subject to the variation against the marked-to-market NAV being no greater than 20 basis points (0.2%). (This compares to current Prime CNAV funds which round to 50 basis points, or 0.5%, of the NAV.)

Constant Net Asset Value (CNAV)
Constant Net Asset Value refers to funds which use amortised cost accounting to value all of their assets. They aim to maintain a Net Asset Value (NAV), or value of a share of the fund at £1 and calculate their price to 2 decimal places.

Counterparty
Another organisation with which the Council has entered into a financial transaction with, for example, invested with or borrowed from. There will be an exposure of risk with a counterparty.

Credit Default Swaps (CDS)
A financial agreement that the seller of the CDS will compensate the buyer in the event of a loan default. The seller insures the buyer against a loan defaulting.

Credit Ratings
A credit rating is the evaluation of a credit risk of a debtor and predicting their ability to pay back the debt. The rating represents an evaluation of a credit rating agency of the qualitative and quantitative information, this result in a score, denoted usually by the letters A to D and including +/-.

DMADF
The Debt Management Account Deposit Facility. This is run by the UK's Debt Management Office and provides investors with the ability to invest with UK central government.

ECB
The European Central Bank, one of the institutions that makes up the EU. Its main function is to maintain price stability across the Eurozone.

ESG
Environmental, society, and governance investing, makes reference to a set of standards for an organisation's behaviour, which can be used by a socially aware investor to make investment decisions. Environmental factors include how an organisation safeguards the environment, social criteria look at how the organisation manages its relationships with the community, employees, suppliers, and customers, and governance deals with leadership, internal controls and audits.

Federal Reserve (Fed)
The central bank of the United States.

FOMC (Federal Open Market Committee)
The committee within the US Federal Reserve that makes decisions about interest rates, and the US money supply.

Forward Deal
The act of agreeing today to deposit/loan funds for an agreed time limit at an agreed date and rate.

GDP (Gross Domestic Product)
The total value of all final goods and services produced and sold in a year by a country.

Gilts
Bonds issued by the Government in Sterling.

Link Group
The council's treasury advisors, who took over from Arlingclose in March 2023. Now called MUFG Corporate Markets.

Liquidity
The degree to which an asset can be bought or sold quickly.

LVNAV Money Market Fund
Low volatility net asset value. The fund will have at least 10% of its assets maturing on a daily basis and at least 30% of assets maturing on a weekly basis.

MiFID
Markets in Financial Instruments Directive, is a regulation that increases the transparency across the EU's financial markets and standardises the regulatory disclosures required. In force since 2008.

Minimum Revenue Provision (MRP)
An amount set aside annually from revenue to repay external debt.

Monetary Policy Committee (MPC)
A committee of the Bank of England that meets to decide on the UK interest rate.

Monetary Policy
A policy adopted by government to affect monetary and financial conditions in the economy.

Money Market Funds
An open-ended mutual fund that invests in short-term debt securities. A deposit will earn a rate of interest, whilst maintaining the net asset value of the investment. Deposits are generally available for withdrawal on the day.

MUFG Corporate Markets
The council's treasury advisors, was called Link Group.

Passive Investor
An investor that does not usually or frequently buy individual stocks, and does not individually pick investments to beat the market. Holdings are usually long term. This contrasts with an active investor.

Prudential Code
The CIPFA code of practice which ensures local authorities spending plans are affordable, prudent and sustainable.

Public Works Loans Board (PWLB)
The PWLB is an agency of the Treasury, it lends to public bodies at fixed rates for periods up to 50 years. Interest rates are determined by gilt yields.

Purchasing Managers Index
Economic indicators derived from monthly surveys of private sector companies.

REFCUS
Revenue Expenditure Funded from Capital Under Statute. Expenditure which would normally be considered revenue expenditure, but has been statutorily defined as capital expenditure, including the giving of a loan, grant or other financial assistance to any person, whether for use by that

person or by a third party, towards expenditure which would, if incurred by the authority, be capital expenditure. Or expenditure incurred on the acquisition, production or construction of assets for use by, or disposal to, a person other than the local authority which would be capital expenditure if those assets were acquired, produced or constructed for use by the local authority.

Reserves
The accumulation of past revenue surpluses and contributions, which can be used to meet future expenditure. The reserves can be general reserves, or earmarked for a specific purpose.

Security, Liquidity, Yield (SLY)
The factors taken into account when investing and are prioritised in the order.

SONIA
Sterling overnight index average interest rate. On each London business day, SONIA is measured as the trimmed mean, rounded to four decimal places, of interest rates paid on eligible sterling denominated deposit transactions.

Transactional Banking
Use of a bank for day-to-day banking requirement, e.g. provision of current accounts, deposit accounts and on-line banking.

UN Principles for Responsible Banking
Are a unique framework for ensuring that signatory banks' strategy and practice align with the vision society has set out for its future in the Sustainable Development Goals and the Paris Climate Agreement.

The framework consists of 6 Principles designed to bring purpose, vision and ambition to sustainable finance. They were created in 2019 through a partnership between founding banks and the United Nations. Signatory banks commit to embedding these 6 principles across all business areas, at the strategic, portfolio and transactional levels.

- **Principle 1**: Alignment, align business strategy with individual's goals as expressed in the sustainable development goals, the Paris Climate Agreement and national and regional frameworks.
- **Principle 2**: Impact and Target Setting, increase positive impacts and reduce negative impacts on, and managing the risks to people and environment.
- **Principle 3:** Clients and Customers, work with clients and customers to encourage sustainable practices and enable economic activities that create shared prosperity.
- **Principle 4:** Stakeholders, engage with stakeholders to achieve society's goals.
- **Principle 5:** Governance and Culture, implement the commitment to these principles through effective governance.
- **Principle 6**: Transparency and Accountability, periodic review of the implementation of these principles, and be transparent about and accountable for the positive and negative impacts, and the contribution to society's goals.

A 3-step process guides signatories through implementing their commitment:

1. Impact Analysis: identifying the most significant impacts of products and services on the societies, economies and environments that the bank operates in.
2. Target Setting: setting and achieving measurable targets in a banks' areas of most significant impact.

3. Reporting: publicly report on progress on implementing the Principles, being transparent about impacts and contributions.

UN Principles for Responsible Investments
The 6 principles for responsible investments offer possible actions for incorporating ESG issues into investment practice.
The principles that the signatories sign up to are;

- **Principle 1:** We will incorporate ESG issues into investment analysis and decision-making processes.
- **Principle 2**: We will be active owners and incorporate ESG issues into our ownership policies and practices.
- **Principle 3**: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- **Principle 4:** We will promote acceptance and implementation of the Principles within the investment industry.
- **Principle 5**: We will work together to enhance our effectiveness in implementing the Principles.
- **Principle 6:** We will each report on our activities and progress towards implementing the Principles.

The Principles for Responsible Investment were developed by an international group of institutional investors reflecting the increasing relevance of environmental, social and corporate governance issues to investment practices. The process was convened by the United Nations Secretary-General.