

# Treasury Management Outturn Report 2025/26

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Annual Treasury Management Review 2025/26

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## **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 2025/26. 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 2025/26 the reporting requirements were that the Full Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 26/02/2025)
- a mid-year treasury update report (Council 17/12/2025)
- 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 dates 16/09/2025 and 10/02/2026 .

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.

## 2.0 Executive Summary

During 2025/26, 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	2024/25 Actual £m	2025/26 Current Budget £m	2025/26 Actual £m
Capital Expenditure	16.851	26.687	18.227 <sup>(1)</sup>
Lease Liability			1.130 <sup>(4)</sup>
<b>Capital Financing Requirement<sup>(2)</sup></b>	<b>72.855</b>	<b>90.101</b>	<b>74.682</b>
<b>Gross Borrowing</b>	<b>34.27</b>	<b>34.25</b>	<b>34.25</b>
<b>Investments</b>			
Less than 1 year	65.12		65.71
Longer than 1 year <sup>(3)</sup>	5.98		5.98
<b>Total</b>	<b>71.10</b>		<b>71.69</b>
<b>Net Investing</b>	<b>36.83</b>		<b>37.44</b>

<sup>(1)</sup> Further details of capital expenditure can be found in the Finance Performance Report Provisional Outturn 2025/26

<sup>(2)</sup> The detailed Capital Financing Requirement is available in the Statement of Accounts 2025/26.

<sup>(3)</sup> CCLA Property Fund and Loans to Urban & Civic.

<sup>(4)</sup> Lease adjustment for Phoenix Court

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.

<b>General Fund</b>	<b>2025/26 Original Budget £m</b>	<b>2025/26 Current Budget<sup>(1)</sup> £m</b>	<b>2025/26 Actual £m</b>
<b>Capital expenditure</b>	<b>14.527</b>	<b>27.687</b>	18.227
<b>Lease Liability</b>			1.130
<b>Financed in year</b>	11.293	17.544	13.666 <sup>(2)</sup>
<b>Unfinanced capital expenditure</b>	<b>3.234</b>	<b>10.143</b>	<b>5.692</b>

<sup>(1)</sup>Includes rephased expenditure from 2025/26

<sup>(2)</sup>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 2025/26 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 (eg 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 2025/26 MRP Policy, (as required by MHCLG Guidance), was approved by Council as part of the Treasury Management Strategy Report for 2025/26 on 26/02/2025.

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	2025/26 Original Budget	2025/26 Current Budget <sup>(1)</sup>	2025/26 Actual
Opening balance	76.724	72.855	72.855
Add unfinanced capital expenditure (as above)	6.418	10.143	5.692
Less MRP	3.184	2.861	2.865
<b>Closing Balance</b>	79.958	80.137	<b>75.682</b>

<sup>(1)</sup>Includes rephased expenditure from 2025/26

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 (2024/25) plus the estimates of any additional capital financing requirement for the current (2025/26) 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.

	31.3.25 Actual £m	Movement £m	31.3.26 Actual £m
Gross borrowing position	34.27	(0.02) <sup>(1)</sup>	34.25
CFR	72.86	2.82	75.68
Underfunding of CFR	38.59	2.84	41.43

<sup>(1)</sup> 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	2024/25 Actual £000s	2025/26 Actual £000s	2026/27 Budget £000s	2027/28 Budget £000s	2028/29 Budget £000s
Net revenue stream	26,058	25,624	27,715	27,316	28,284
Financing Costs <sup>(1)</sup>	3,795	3,837	4,322	4,915	5,087
Proportion of net revenue stream	<b>15%</b>	<b>15%</b>	<b>16%</b>	<b>18%</b>	<b>18%</b>

<sup>(1)</sup> 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 2025/26 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.

<b>Authorised Limit and Operational Boundary<sup>(1)</sup></b>	<b>2025/26 £m</b>
Authorised limit	135.00
Maximum gross borrowing position during the year	34.26
Operational boundary	115.00
Average gross borrowing position	34.255
Financing costs as a proportion of net revenue stream	15%

<sup>(1)</sup> These limits are set in the Treasury Management Strategy each year, and approved at Council.

## 6.0 The Treasury Position as of 31st March 2026

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	31.3.25 £m	Weighted Average Rate	Average Life yrs	31.3.26 £m	Weighted Average Rate	Average Life yrs
Fixed rate funding:						
-PWLB	34.25	2.84%	19.5	34.25	2.84%	18.5
-Salix	0.01	0%	0.9	0.00		
<b>Total debt</b>	<b>34.26</b>	<b>2.84%</b>	<b>19.5</b>	<b>34.25</b>	<b>2.84%</b>	<b>18.5</b>
<b>CFR</b>	<b>72.86</b>			<b>75.68</b>		
<b>Over / (under) borrowing</b>	<b>38.60</b>			<b>41.43</b>		
<b>Total investments<sup>(1)</sup></b>	<b>69.11</b>	<b>4.5%</b>	<b>81 days</b>	<b>69.70</b>	<b>3.75%</b>	<b>51 days</b>
<b>Net debt</b>						

<sup>(1)</sup> Treasury investments includes bank deposits, Money Market Funds, DMO deposits, CCLA property fund.

The maturity structure of the debt portfolio was as follows:

	31.3.25 Actual	2025/26 Upper Limit	31.3.26 actual
Under 12 months <sup>(1)</sup>	0.02%	80%	0%
12 months and within 24 months	0.0%	80%	0%
24 months and within 5 years	0.0%	80%	0%
5 years and within 10 years	0.0%	100%	0%
10 years and within 20 years <sup>(2)</sup>	70.79%	100%	71%
20 years and above <sup>(2)</sup>	29.19%	100%	29%
<b>Total</b>	<b>100.0%</b>		<b>100.0%</b>

<sup>(1)</sup> Salix

<sup>(2)</sup> PWLB

INVESTMENT PORTFOLIO	31.3.25 Actual £m	31.3.25 Actual % <sup>(1)</sup>	31.3.26 Actual £m	31.3.26 Actual % <sup>(1)</sup>
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### Treasury investments

Banks	0.333	2.50	0.223	2.00
DMADF DMO (HM Treasury)	47.750	4.45	46.300	3.70
Money Market Funds	17.030	4.51	19.180	3.77
Property Fund	4.000	4.50	4.000	4.20

<b>TOTAL TREASURY INVESTMENTS</b>	<b>69.113</b>	<b>4.45</b>	<b>69.703</b>	<b>3.75</b>
<b>Non-Treasury investments</b>				
Loans to Other Organisations	1.986	7.85	1.986	6.93
<b>TOTAL INVESTMENTS</b>	<b>71.099</b>	<b>7.85</b>	<b>71.689</b>	<b>6.93</b>

<sup>(1)</sup>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:

<b>Maturity</b>	<b>31.3.25 Actual £m</b>	<b>31.3.26 Actual £m</b>
Investments		
Up to 1 year <sup>(1)</sup>	65.115	65.703
Longer than 1 year <sup>(2)</sup>	5.984	5.986
<b>TOTAL</b>	<b>71.099</b>	<b>71.689</b>

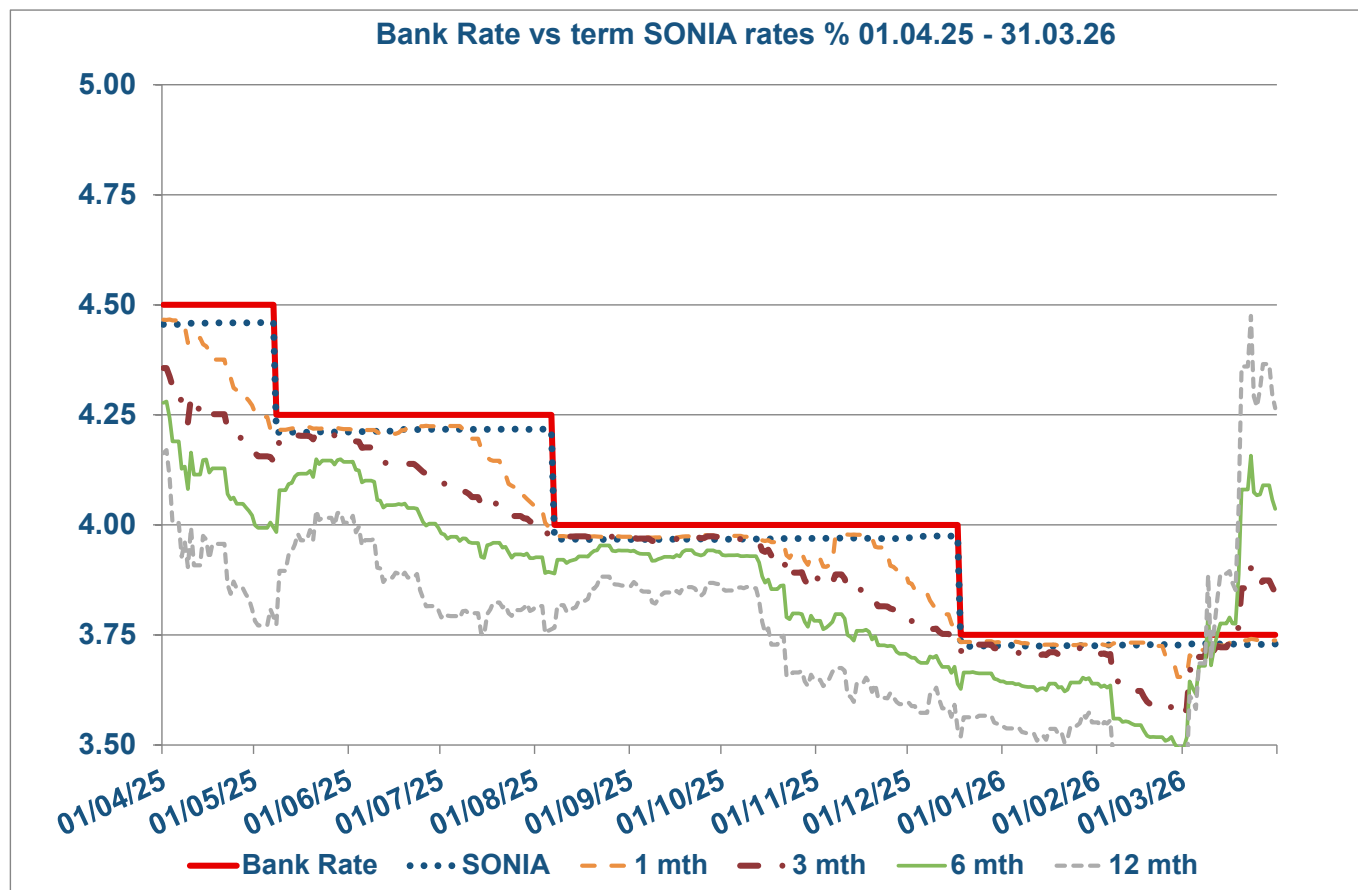
<sup>(1)</sup>Bank deposits, Money Market Funds, DMO deposits, Somersham PC loan.

<sup>(2)</sup>CCLA Property Fund, Urban and Civic Loan.

## 7.0 The Treasury Strategy for 2025/26

### 7.1 Investment strategy and control of interest rate risk

#### Investment Benchmarking Data – Sterling Overnight Index Averages (Term) 2025/26



FINANCIAL YEAR TO QUARTER ENDED 31/03/2026						
	Bank Rate	SONIA	1 mth	3 mth	6 mth	12 mth
<b>High</b>	4.50	4.46	4.47	4.36	4.28	4.47
<b>High Date</b>	01/04/2025	07/05/2025	03/04/2025	02/04/2025	02/04/2025	23/03/2026
<b>Low</b>	3.75	3.72	3.65	3.57	3.49	3.40
<b>Low Date</b>	18/12/2025	22/12/2025	27/02/2026	27/02/2026	27/02/2026	27/02/2026
<b>Average</b>	4.04	4.01	3.98	3.94	3.87	3.77
<b>Spread</b>	0.75	0.74	0.81	0.79	0.79	1.08

Investment returns remained robust throughout 2025/26 despite Bank Rate reducing steadily through the course of the financial year (three 0.25% rate cuts in total), and at the end of March the yield curve had turned positive, reflecting inflation concerns emanating from the on-going conflict in the Middle East.

Bank Rate reductions of 0.25% occurred in May, August and December, bringing the headline rate down from 4.50% to 3.75%. Two of the Bank Rate cuts occurred in the same month as the

Bank of England publishes its Quarterly Monetary Policy Report, therein providing a clarity over the timing of potential future rate cuts.

As of early April 2026, market sentiment has been heavily influenced by the Middle East conflict. Commentators anticipate a growing risk of inflation, meaning interest rates will not be cut for some time, and may increase to counteract inflationary pressures arising from steepening energy costs. Growth will also be impacted in many regions of the world. UK GDP is projected by the Office for Budget Responsibility (3 March 2026) to be 1.1% in 2026 before picking up to 1.6% in 2027 and 2028. But the likelihood is that there is downside risk to this forecast given events in the Middle East through March and still on-going.

Looking back through 2025/26, investors were able to achieve returns generally in a range of 4.5% - 5% for periods ranging from 1 month to 12 months in the spring of 2025. By the end of March 2026 deposit rates were somewhat volatile, regaining some traction as the Middle East conflict suggested energy driven inflation may lead to higher interest rates than would otherwise have been the case. Where liquidity requirements were not a drain on day-to-day investment choices, extending duration through the use of "laddered investments" paid off.

Heading into 2026/27, UK inflation is likely to increase to over 4% in the coming months as oil prices, for example, remain close to \$100 per barrel, over 50% higher than before the Middle East conflict started.

## **7.2 Borrowing strategy and control of interest rate risk**

During 2025/26, the Authority maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt as cash supporting the Authority's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as near-term investment rates have generally been lower than medium to long-term borrowing costs. The latter are expected to fall a little through 2026 and 2027 in the light of economic growth concerns and the eventual dampening of inflation. The Authority has sought to minimise the taking on of long-term borrowing at elevated levels (>5%) and has focused on a policy of internal and temporary borrowing, supplemented by short-dated borrowing (<5 years on a maturity loan structure/ <10 years on an EIP loan structure) as appropriate.

Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Director of Finance therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks (*please adapt this outline to what you actually did in the year*):

- 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 2025/26. Bank Rate did reduce to 3.75% as anticipated, but the initial expectation of significant rate reductions across the whole curve did not transpire, primarily because inflation concerns were very elevated in March 2026. At the start of April 2026, the market expected Bank Rate to increase over the coming months to 4% or 4.25%, from 3.75%, whilst all parts of the curve have also risen substantially through March. A significant fall in inflation will be required to underpin any material movement lower in the longer part of the curve.

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
<b>BANK RATE</b>	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

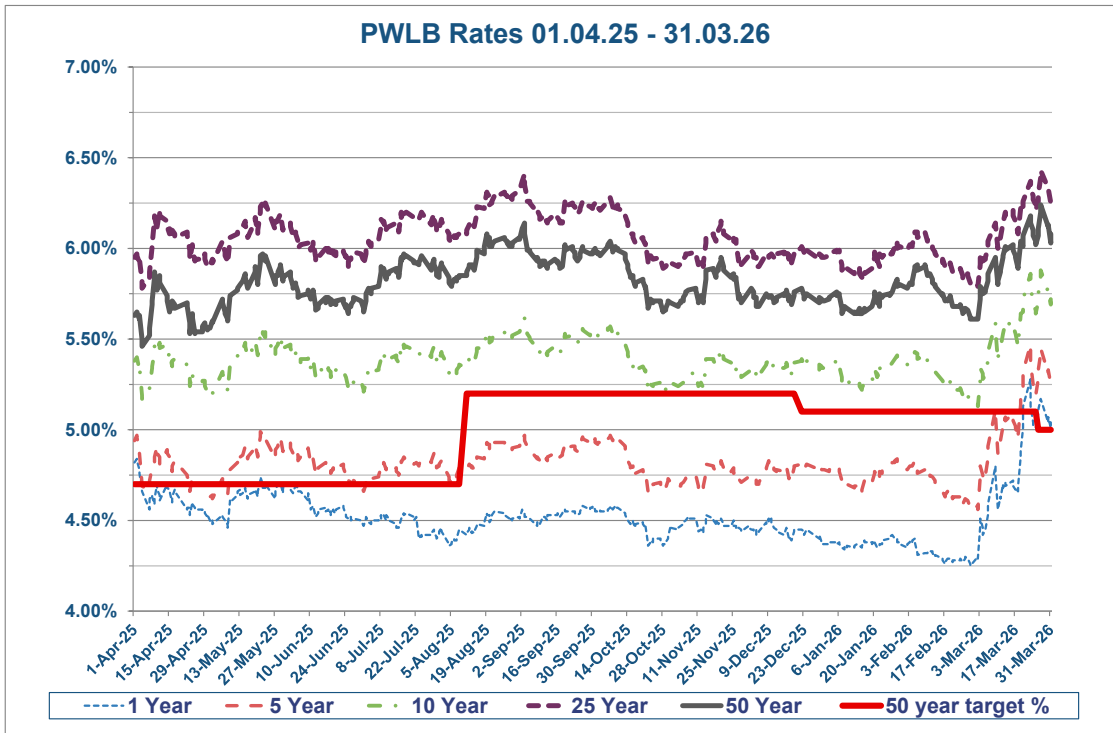
MUFG Corporate Markets Interest Rate View 10.02.25													
	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28
<b>BANK RATE</b>	4.50	4.25	4.25	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50	3.50
3 month ave earnings	4.50	4.30	4.30	4.00	3.80	3.80	3.50	3.50	3.50	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 11.08.25													
	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28
<b>BANK RATE</b>	4.00	3.75	3.75	3.50	3.50	3.50	3.50	3.25	3.25	3.25	3.25	3.25	3.25
3 month ave earnings	4.00	3.80	3.80	3.50	3.50	3.50	3.50	3.30	3.30	3.30	3.30	3.30	3.30
6 month ave earnings	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.30	3.30	3.40	3.40	3.40	3.40
12 month ave earnings	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.30	3.40	3.50	3.60	3.60	3.60
5 yr PWLB	4.70	4.50	4.40	4.30	4.30	4.30	4.20	4.20	4.20	4.20	4.10	4.10	4.10
10 yr PWLB	5.20	5.00	4.90	4.80	4.80	4.80	4.70	4.70	4.70	4.70	4.60	4.60	4.60
25 yr PWLB	5.90	5.70	5.70	5.50	5.50	5.50	5.40	5.40	5.30	5.30	5.30	5.20	5.20
50 yr PWLB	5.60	5.40	5.40	5.30	5.30	5.30	5.20	5.20	5.10	5.10	5.00	5.00	5.00

MUFG Corporate Markets Interest Rate View 22.12.25													
	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28	Mar-29
<b>BANK RATE</b>	3.75	3.50	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
3 month ave earnings	3.80	3.50	3.50	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30
6 month ave earnings	3.80	3.50	3.50	3.40	3.30	3.30	3.30	3.40	3.40	3.40	3.40	3.40	3.40
12 month ave earnings	3.90	3.60	3.60	3.50	3.40	3.50	3.50	3.50	3.50	3.50	3.60	3.60	3.60
5 yr PWLB	4.60	4.50	4.30	4.20	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10
10 yr PWLB	5.20	5.00	4.90	4.80	4.80	4.70	4.70	4.70	4.70	4.60	4.60	4.60	4.70
25 yr PWLB	5.80	5.70	5.60	5.50	5.50	5.40	5.30	5.30	5.30	5.20	5.20	5.20	5.20
50 yr PWLB	5.60	5.50	5.40	5.30	5.30	5.20	5.10	5.10	5.10	5.00	5.10	5.00	5.00

MUFG Corporate Markets Interest Rate View 25.03.26												
	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28	Mar-29
<b>BANK RATE</b>	3.75	3.75	3.75	3.75	3.75	3.50	3.50	3.25	3.25	3.25	3.25	3.25
3 month ave earnings	4.00	3.90	3.80	3.80	3.70	3.50	3.50	3.30	3.30	3.30	3.30	3.30
6 month ave earnings	4.20	4.10	4.00	3.90	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.50
12 month ave earnings	4.60	4.50	4.40	4.20	4.20	4.00	4.00	3.80	3.80	3.80	3.80	3.80
5 yr PWLB	5.00	5.00	4.90	4.80	4.60	4.40	4.20	4.20	4.10	4.10	4.10	4.10
10 yr PWLB	5.50	5.50	5.40	5.30	5.10	4.90	4.70	4.70	4.60	4.60	4.60	4.60
25 yr PWLB	6.00	6.00	5.90	5.80	5.60	5.40	5.20	5.20	5.20	5.20	5.10	5.10
50 yr PWLB	5.80	5.80	5.70	5.50	5.40	5.20	5.00	5.00	5.00	5.00	4.90	4.90

### 7.3 PWLB Rates



#### HIGH/LOW/AVERAGE PWLB RATES FOR 2025/26

	1 Year	5 Year	10 Year	25 Year	50 Year
<b>Low</b>	4.25%	4.56%	5.13%	5.78%	5.46%
<b>Date</b>	27/02/2026	27/02/2026	02/03/2026	04/04/2025	04/04/2025
<b>High</b>	5.28%	5.47%	5.88%	6.43%	6.24%
<b>Date</b>	23/03/2026	23/03/2026	27/03/2026	27/03/2026	27/03/2026
<b>Average</b>	4.52%	4.82%	5.38%	6.06%	5.81%
<b>Spread</b>	1.03%	0.91%	0.75%	0.65%	0.78%

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, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years.

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. More recently, the Middle East conflict is likely to see inflation spike higher from late spring 2026 through to early 2027

Gilt yields have been volatile through 2025/26. The low point for long-term rates of 25 and 50 years' duration was reached early in April 2025 whilst the low points for short and medium dated rates were reached in early 2026, prior to the outbreak of the Middle East conflict.

At the close of 31 March 2026, the 1-year PWLB Certainty rate was 5.04% whilst the 5, 10, 25 and 50 year rates were 5.28%, 5.72%, 6.29% and 6.08% respectively.

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) – available through the National Wealth Fund
- **HRA Borrowing rate** is gilt plus 40 basis points (G+40bps)

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.

## 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 26/02/2025. 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 ie 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:

<b>Balance Sheet Resources (£m)</b>	<b>31.3.25</b>	<b>31.3.26</b>
Capital Financing Requirement	<b>72.9</b>	<b>75.68</b>
Less Debt Liabilities <sup>(1)</sup>	<b>(0.5)</b>	<b>(1.73)</b>
External Borrowing (PWLB mainly)	<b>(34.3)</b>	<b>(34.3)</b>
Internal Borrowing	<b>38.1</b>	<b>38.1</b>
Balance Sheet Resources <sup>(2)</sup>	<b>(109.1)</b>	<b>(109.1)</b>
<b>Investments</b>	<b>(71.0)</b>	<b>(71.7)</b>

<sup>(1)</sup>This relates to Phoenix Court

<sup>(2)</sup>Includes from the balance sheet as at 31/03/2026 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 £71.6m of internally managed funds.
- The treasury investments earned an average rate of return of 3.77%.
- Total investment income was £3.2m compared to a budget of £1.3m

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

<b>Proportionality of Investments</b>	<b>2024/25 Actual £000s</b>	<b>2025/26 Actual £000s</b>	<b>2026/27 Budget £000s</b>	<b>2027/28 Budget £000s</b>	<b>2028/29 Budget £000s</b>
Gross service expenditure	88,527	88,585	86,598	88,106	90,480
Net Investment income <sup>(1)</sup>	3,409	2,781	3,755	3,796	3,780
Proportion	<b>4%</b>	<b>3%</b>	<b>4%</b>	<b>4%</b>	<b>4%</b>

<sup>(1)</sup>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<sup>(1)</sup>

Benchmarking	Portfolio Risk Score <sup>(2)</sup>	Average Credit Rating	Weighted Average Maturity (days) <sup>(3)</sup>	Rate of Return %
31.03.2025	1.02	AA-	19	4.45
31.03.2026	1.01	AA-	18	3.72

<sup>(1)</sup> DMO, banks and MMFs.

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

<sup>(3)</sup> WAM at execution

### 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	31.3.26 Actual	2025/26 Target
Portfolio average credit rating	AA-	A-

<sup>(1)</sup> 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.

	30.3.26 Actual £m	2025/26 Target £m
Total cash available within 3 months	65.7	15

## 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	31.3.26 Actual	2025/26 Limit
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£453,457 (Net Income)	£600,000 (Income)
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£453,457 (Net Expenditure)	£600,000 (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 2025/26 was £3.2m (2024/25 £3.6m) and total interest paid £1.0m (2024/25 £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	2025/26 Limit £m	2025/26 Actual £m
Limit on principal invested beyond year end (CCLA Property Fund)	12	4

## 11.0 The Economy and Interest Rates

### UK Economy

As with 2024/25, UK inflation has proved somewhat stubborn throughout 2025/26. Having started the financial year at 3.5% y/y (April), the CPI measure of inflation peaked at 3.8% from July to September, before dipping to 3% in January and February. Core inflation picked up to 3.2% in February, from 3.1%, and the recent upward pressure on energy costs could see CPI inflation breach 4.5% later this year.

Against this backdrop, the continued lack of progress in ending the Russian invasion of Ukraine, and the potentially negative implications for global growth as a consequence of the implementation of US tariff policies, Bank Rate reductions look limited for the remainder of 2026 (as they do in the euro-zone). Bank Rate currently stands at 3.75%.

Moreover, borrowing has become more expensive in 2025/26. Gilt yields have risen materially in March 2026, more than reversing the falls earlier in the financial year. Additionally, the public finances have remained under pressure. The higher-than-expected public net sector borrowing of £14.3bn in February was £2.2bn above last February's outturn. But that borrowing overshoot was mainly due to timing effects relating to the £13.0bn government debt interest payment. That came in as the highest payment since June 2025, causing a 12.3% y/y jump in spending. On the flip side, sitting at £8.1bn, tax revenues were also higher than last February, largely on the back of solid growth in self-employment incomes in 2024/25, boosting self-assessment income tax receipts and stronger capital gains tax receipts.

However, the combination of some energy price support and pressures from higher inflation amid the ongoing energy price shock, higher interest rates and a weaker economy will ultimately put borrowing on an upward trend. With the rise in energy prices possibly pushing the Retail Prices Index inflation up to a peak of 5.7%, debt interest repayments will increase by about £10bn. A weaker growth profile, higher inflation, higher interest rates and gilt yields could erode about £11bn of the Chancellor's £23.6bn headroom.

The loosening in the labour market continues to bear down on wage growth. The 3myy growth rate of average earnings including bonuses slowed from 4.2% in December to 3.9% in January. Meanwhile, excluding bonuses, private earnings growth continued to fall from 3.4% to 3.3%.

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 driven largely by the US administration.

	UK	Eurozone	US
<b>Bank Rate</b>	3.75%	2.0%	3.5%-3.75%
<b>GDP</b>	0.1%q/q Q4 (1.0%/y/y)	+0.2%q/q Q4 (1.2%/y/y)	0.7% Q4 Annualised
<b>Inflation</b>	3.0%/y/y (Feb)	1.9%/y/y (Feb)	2.4%/y/y (Feb)
<b>Unemployment Rate</b>	5.2% (Jan)	6.2% (Jan)	4.4% (Feb)

The Bank of England sprung no surprises in their March meeting, leaving Bank Rate unchanged at 3.75% by a vote of 9-0, but suggesting rates may need to rise if inflation picks up markedly.

The vote could best be described as moderately hawkish. The MPC stated it “stands ready to act as necessary” and “is alert to the increased risk of domestic inflationary pressures through second-round effects in wage and price-setting”. Even so, we suspect the committee is likely to put equal weight on higher inflation and weaker growth, particularly the poor macroeconomic backdrop prior to the energy shock, keeping interest rates at 3.75% this year.

10-year Gilt yields have been exceptionally volatile in the final weeks of 2025/26, troughing at around 4.23% in late February before shooting up to 5.00% (and well through that on an intraday basis). That spike was driven by the outbreak of war in the Middle East, which prompted a dramatic reassessment of investors’ Bank of England policy rate expectations. Having been pricing in rate cuts in late-February, as many as four rate *hikes* were discounted by late-March. The 10-year yield ended the quarter at 4.92% with around 65bp of rate hikes priced in over the coming year. In addition to more hawkish monetary policy expectations, part of this increase in yields probably reflected an increase in term premia amid concerns that the government may react by loosening the fiscal purse strings.

As for equity markets, the FTSE 100 experienced another volatile quarter, surging to an all-time high of around 10,900 in late February, leaving it up 10% from the start of 2026, before giving back most of those gains in March after the outbreak of the Middle East conflict. That pullback leaves the index at around 10,176 at the end of the quarter. For context it was at 8,582 at the start of April. The £ has stayed relatively resilient also at \$1.33, strengthening from \$1.29 back in April.

## **US Economy**

Despite a weak finish to 2025, the US economy has generally been the strongest among the developed economies, but with uncertainties growing surrounding President Trump’s central economic tenet of being able to apply tariffs on an ad-hoc basis, and bend the FOMC Fed Funds rate decision-making to his will, there is something of a stalemate in place at present over when, and if, rates will be cut further in 2026.

Inflation is currently stuck at around 2.5%, unemployment is only a little above 4%, and tax refunds are in the process of being facilitated for many households. But will those refunds be – at least partially – offset by higher gasoline prices?

The S&P500 started April 2025 at 5,633 and finished March 2026 at 6,528 having peaked at just over 7,000. The 10-year Treasury yield finished March at 4.30% having been 4.17% back at the start of April, and during the year has been both above 4.50% and below 4.00%.

## **EZ Economy**

The Eurozone economy has run pretty much in parallel with that of the UK. A slightly stronger finish to 2025 (GDP of 0.2% q/q) than that of the UK cannot hide the fact that the economy has been negatively impacted by German economic stagnation until late in 2025. France has also struggled against a difficult political backdrop, but managed to post GDP growth of 0.3% q/q for October to December.

With Eurozone headline inflation close to 2%, the ECB has been able to reduce its Deposit Rate to 2%. Whether it rises from that low point will very much be driven by how energy prices trend

over the coming months. The Euro has appreciated against the dollar from 1.08 at the start of April 2025 to 1.16 at the end of March.

## **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 31<sup>st</sup> March 2029, with the exception of any new pooled investments from 1<sup>st</sup> 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 2025/26 will cover income and expenditure arising from the commercial properties.

### **C. Changes in risk appetite**

The risk appetite remained unchanged during the year. However the investing limits with local authorities was increased from £4m to £20m for the year 2026/27.

### **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 (from 2024/25) considered finance leases (ie no longer operational leases). In practice the number of assets leased by the Council at a commercial rate is minimal, so has not impacted the balance sheet significantly. In part because 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	2025/26 Forecast	2025/26 Actual	2026/27 Forecast
Interest Cover Ratio	1.9	1.6	2.0
Loan to Value Ratio	107.5%	115.4%	107.5%
Gross Rent Multiplier	13.8	17.2	15.3

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 £2.5m for 2025/26.

#### Net Income from Commercial and Service Investments

Net Income from Commercial and Service Investments	2024/25 Actual £000s	2025/26 Actual £000s	2026/27 Budget £000s	2027/28 Budget £000s	2028/29 Budget £000s
Net income from Commercial and Service Investments <sup>(1)</sup>	3,409	2,781	3,755	3,796	3,780
Net revenue stream	26,058	25,624	27,715	27,316	28,284
Proportion	<b>13%</b>	<b>11%</b>	<b>14%</b>	<b>14%</b>	<b>13%</b>

<sup>(1)</sup>CCLA Property Fund, loans to organisations, Commercial Estates net income.

## Appendix 1: Prudential and treasury indicators

1. PRUDENTIAL INDICATORS	2024/25	2025/26	2025/26
<b>Extract from the budget report</b>	<b>Actual</b>	<b>Original</b>	<b>Actual</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Capital Expenditure</b>			
General Fund	16,851	14,527	18,227
Lease Liability			1.130
<b>TOTAL</b>	<b>13,408</b>	<b>14,527</b>	<b>19,357</b>
<b>Ratio of financing costs to net revenue stream</b>			
General Fund	15%	16%	15%
<b>Gross borrowing requirement General Fund</b>			
brought forward 1 April	72,341	76,724 <sup>(1)</sup>	72,855
carried forward 31 March	72,855	79,958	75,682
in year borrowing requirement	<b>514</b>	<b>3,234</b>	<b>2,827</b>
<b>Gross debt</b>	34,263	34,255	34,255
<b>CFR</b>			
General Fund	72,855	79,958	75,682
<b>TOTAL</b>	<b>72,855</b>	<b>79,958</b>	<b>75,682</b>
<b>Annual change in Capital Financing Requirement</b>			
General Fund	514	3,234	2,827
<b>TOTAL</b>	<b>514</b>	<b>3,234</b>	<b>2,827</b>

<sup>(1)</sup> The actual expenditure for 2024/25 is not known at the time the budget is assembled, so the opening CFR is based on the 2024/25 forecast expenditure.

2. TREASURY MANAGEMENT INDICATORS	2024/25	2025/26	2025/26
	<b>actual</b>	<b>original</b>	<b>actual</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Authorised Limit for external debt -</b>			
Borrowing (including other long-term liabilities)	95,000	95,000	95,000
Loans to other Organisations	15,000	15,000	15,000
CIS <sup>(1)</sup>	25,000	25,000	25,000
<b>TOTAL</b>	<b>135,000</b>	<b>135,000</b>	<b>135,000</b>
<b>Operational Boundary for external debt -</b>			
Borrowing (including other long-term liabilities)	75,000	75,000	75,000
Loans to other Organisations	15,000	15,000	15,000
CIS <sup>(1)</sup>	25,000	25,000	25,000
<b>TOTAL</b>	<b>115,000</b>	<b>115,000</b>	<b>115,000</b>
<b>Actual external debt</b>	34,260	34,250	34,250

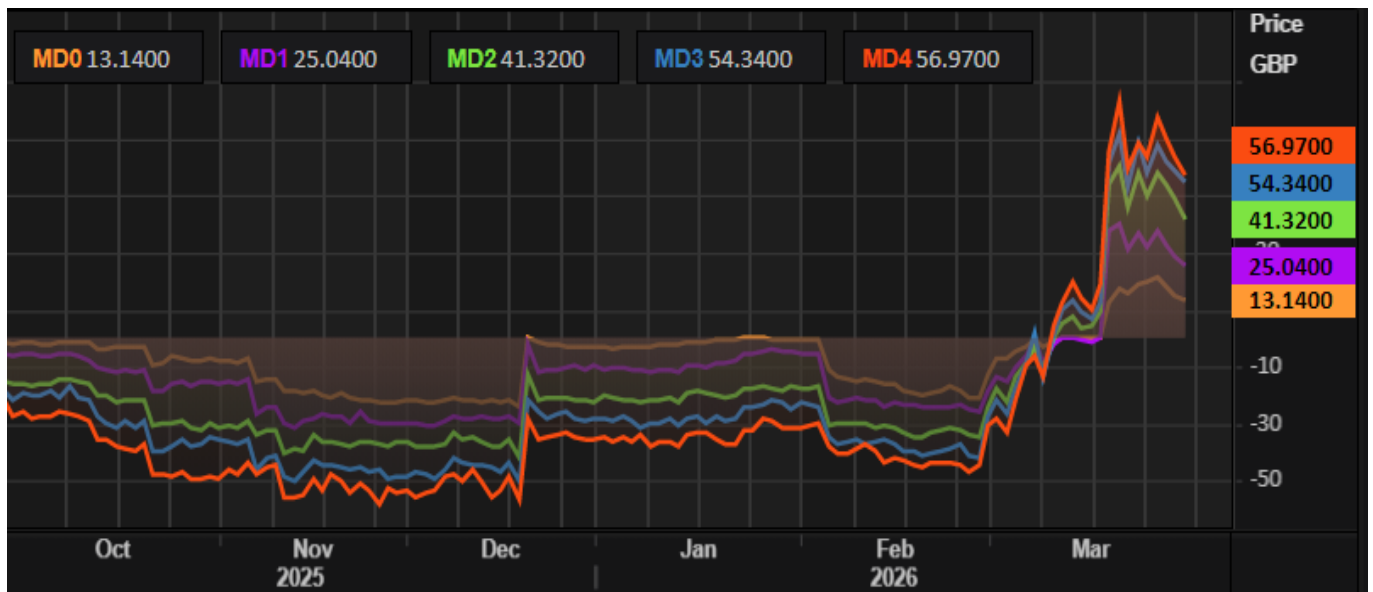
<sup>(1)</sup>To allow for previously purchased assets

Maturity structure of fixed rate borrowing during 2025/26	Upper limit	Lower limit	Actual
under 12 months	80%	0%	0%
12 months and within 24 months	80%	0%	0%
24 months and within 5 years	80%	0%	0%
5 years and within 10 years	100%	0%	0%
10 years and within 20 years	100%	0%	71%
20 years and above	100%	0%	29%
Maturity structure of investments during 2025/26	Upper limit	Lower Limit	Actual
Longer than 1 year	£12m	£0	£4m
Total			

## Appendix 2: Graphs – Economy

Interest Rate, GDP and Earnings Graphs

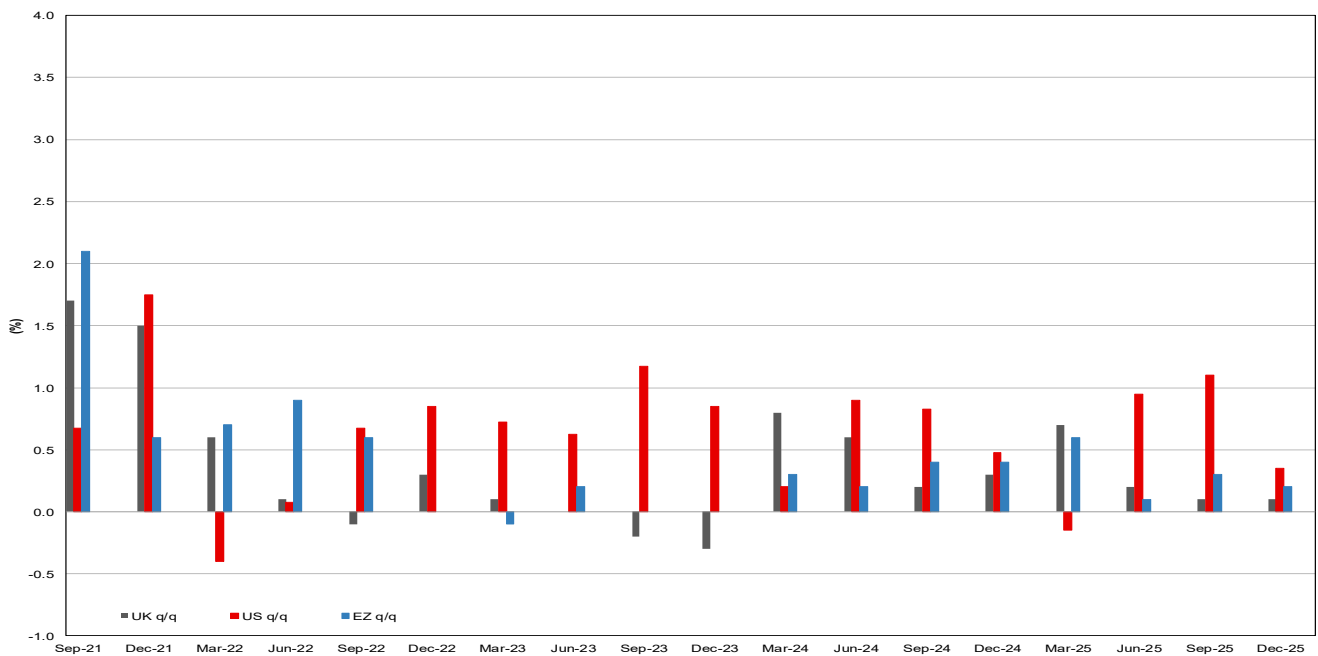
Market Expectations for Future Increases in Bank Rate (1st April 2026)



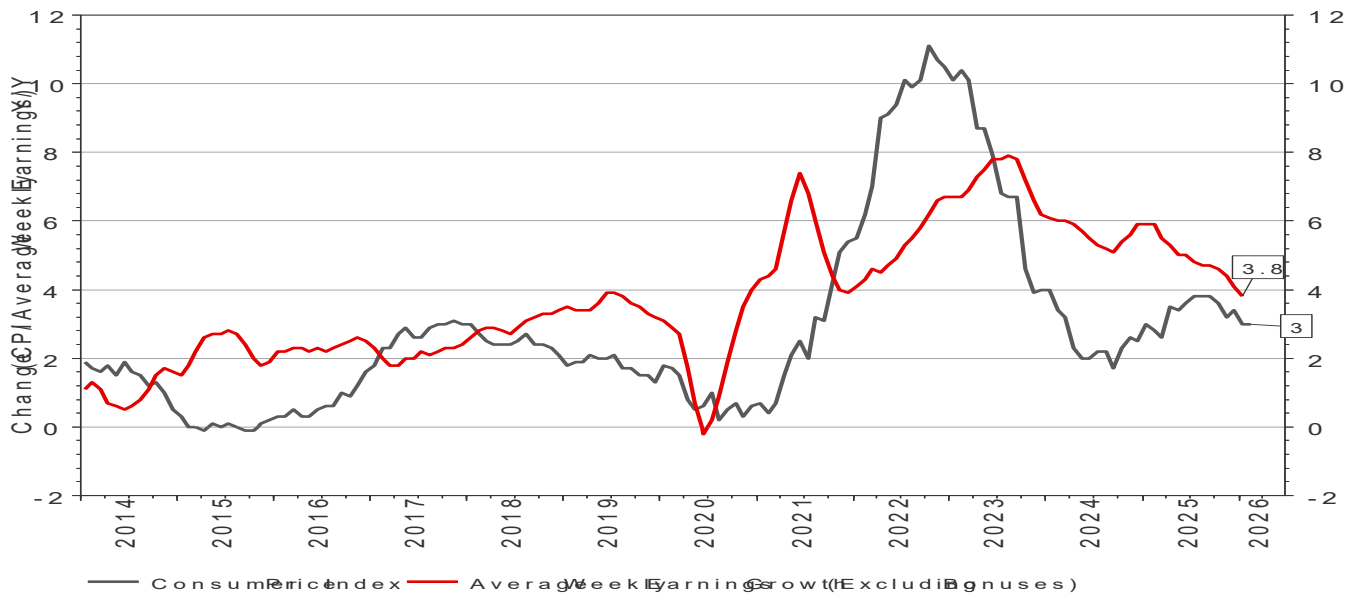
Source: Reuters Eikon

\*MD0 = Change in Bank Rate expected at MPC meeting to be held April-26, MD1 = Jun-26, MD2 = Jul-26, MD3 = Sept-26, MD4 = Nov-26.

## UK, US and EZ Quarterly GDP



# CPI v Average Weekly Earnings Growth



Source: SE Datastre

### Appendix 3: Investment Portfolio

Investments held as of 31st March 2026 compared to the counterparty list:

	31.3.26 Actual £m	2025/26 Limit £m
<b>Deposit Accounts</b>		
NatWest	0.222	4.00
Barclays	0.001	4.00
<b>Government and LAs</b>		
Debt Management Office (DMO) - HMG	46.300	unlimited
<b>Money Market Funds</b>		
Aberdeen Liquidity Fund	2.780	5.00
BlackRock Institutional sterling liquidity Fund	2.775	5.00
CCLA Public Sector Deposit Fund	2.600	5.00
Federated Short Term Prime Fund	2.950	5.00
HSBC ESG	2.900	5.00
Insight Liquidity Funds	1.200	5.00
Invesco	2.775	5.00
Legal & General Sterling Liquidity Fund	1.200	5.00
<b>Total</b>	<b>65.703</b>	
<b>Long-term Investments</b>		
CCLA Property Fund	4.00	5.00
<b>Total</b>	<b>69.703</b>	

## **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, (the lowest rating from Fitch, Moody's and S&P shown) and also, (except - at this time - 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
- U.S.A.

#### **AA**

- Abu Dhabi (UAE)
- Finland
- Qatar

#### **AA-**

- U.K.

Below recommended rating

#### **A+**

- *Belgium*
- *France*

***THIS LIST IS AS AT 01.04.26***

## Appendix 5 Commercial Investment Property Listing

Commercial Investment Property	31/03/2023	Gain/(Loss)	31/03/2024	Gain/(Loss)	31/03/2025	Gain/(Loss)	31/03/2026
	Value	Additions	Value	Additions	Value	Additions	Value
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Legacy Properties;</b>							
<b>Huntingdon</b>							
Cinema and Shops	540	12	552	(5)	547	0	547
Oak Drive Shops	977	134	1,111	(52)	1,059	(434)	625
Mayfield Road Shops	750	(8)	742	(62)	680	130	810
Pub Site Sapley Square	193	0	193	0	193	0	193
Oak Tree Health Centre	11,786	0	11,786	0	11,786	0	11,786
Clifton Road Industrial Units	1,825	0	1,825	(79)	1,746	(7)	1,739
Alms Close Industrial Units	1,453	102	1,555	86	1,641	(32)	1,609
Land Clifton Road	144	0	144	0	144	0	144
Land St Peters Road	2,930	0	2,930	0	2,930	0	2,930
Land Redwongs Way	380	5	385	0	385	0	385
Phoenix Court Units	621	(252)	369	479	848	(432)	416
	<b>21,599</b>	<b>(7)</b>	<b>21,592</b>	<b>367</b>	<b>21,959</b>	<b>(775)</b>	<b>21,184</b>
<b>St Ives</b>							
Library Row Shops	532	29	561	0	561	0	561
Enterprise Centre	883	0	883	79	962	109	1,071
	<b>1,415</b>	<b>29</b>	<b>1,444</b>	<b>79</b>	<b>1,523</b>	<b>109</b>	<b>1,632</b>
<b>St Neots</b>							
Queens Gardens Shops	430	78	508	17	525	69	594
Naseby Gardens Shops	273	0	273	0	273	0	273
Leys Road Shops	117	9	126	0	126	0	126
Cambridge Street Shops	140	(8)	132	0	132	0	132
Cambridge Street Warehouse and Yard	719	0	719	0	719	0	719
Levellers Lane Industrial Units	5,220	(115)	5,105	32	5,137	112	5,249
Caravan Site Rush Meadows	257	0	257	0	257	0	257
Café Riverside Park	158	0	158	0	158	0	158
	<b>7,314</b>	<b>(36)</b>	<b>7,278</b>	<b>49</b>	<b>7,327</b>	<b>181</b>	<b>7,508</b>
<b>Total</b>	<b>30,328</b>	<b>(14)</b>	<b>30,314</b>	<b>495</b>	<b>30,809</b>	<b>(485)</b>	<b>30,324</b>
<b>CIS Properties</b>							
2 Stonehill, Huntingdon	2,481	(205)	2,276	0	2,276	189	2,465
80 Wilbury Way, Hitchin	1,873	35	1,908	0	1,908	282	2,190
Shawlands Retail Park, Sudbury	6,055	(273)	5,783	(232)	5,551	606	6,157
Parkway Fareham	4,037	0	4,037	0	4,037	(132)	3,905
Rowley Arts Centre, St Neots	6,641	(98)	6,543	(644)	5,899	(1,092)	4,807
Little End Road, St Neots	3,321	(33)	3,288	1,977	5,265	146	5,411
Tri-link, Wakefield	14,748	(62)	14,686	1,264	15,950	1,601	17,551
Alms Close, Huntingdon	1,447	2	1,449	57	1,506	0	1,506
	<b>40,603</b>	<b>(634)</b>	<b>39,970</b>	<b>2,351</b>	<b>42,392</b>	<b>1,600</b>	<b>43,992</b>
<b>Total</b>	<b>70,931</b>	<b>(648)</b>	<b>70,284</b>	<b>2,847</b>	<b>73,201</b>	<b>1,115</b>	<b>74,316</b>

## **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 its 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**

1/100<sup>th</sup> of 1% i.e. 0.01%. 10 basis points is 0.1%.

### **Bonds**

A bond is a form of loan, the holder of the bond 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.