Treasury Management 6 Month Performance Review 2026/27

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Glossary

1. Background

1.1 CIPFA Consultation on the Treasury Management Code of Practice and the Prudential Code of Practice

The Chartered Institute of Public Finance and Accountancy, having consulted with local authorities over the past year, is currently weighing up potential changes to the Codes and the timing of their implementation. At this juncture, the focus seems to primarily be on the non-treasury investment aspects of local authority activity. These may fall under the auspices of Government in due course. Officers will provide an update on any material developments/changes as they arise.

1.2 Treasury management

The council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low-risk counterparties, providing adequate liquidity initially before considering optimising investment return.

The second main function of the treasury management service is the funding of the council's capital plans. These capital plans provide a guide to the borrowing need of the council, essentially the longer-term cash flow planning to ensure the council can meet its capital spending operations. This management of longer-term cash may involve arranging long or short-term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet council's risk or cost objectives.

Accordingly, treasury management is defined as:

> "The management of the local council's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

2. Introduction

This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2021).
The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the council's treasury management activities.

2. Creation and maintenance of Treasury Management Practices which set out the manner in which the council will seek to achieve those policies and objectives.

3. Receipt by the full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report, (stewardship report), covering activities during the previous year. Quarterly reports are also required for the periods ending April to June and October to December, these are included with and follow the same process as the quarterly finance performance reports.

4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.

5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this council, the delegated body is Overview and Scrutiny Panel (Performance and Growth).

This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the first half of the 2026/27 financial year.
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy.
- The council's capital expenditure, as set out in the Capital Strategy, and prudential indicators.
- A review of the council's investment portfolio for 2026/27.
- A review of the council's borrowing strategy for 2026/27.
- A review of any debt rescheduling undertaken during 2026/27.
- A review of compliance with Treasury and Prudential Limits for 2026/27.

3. Economics and Interest Rates

3.1 Economics Update

- **The first half of 2026/27 (April to September):**
- Continued resilience in the face of the ongoing energy shock, with real GDP up 0.4% m/m in July, following on from GDP of 0.5% q/q (1.4% y/y) for the quarter ending 30 June 2026.
- The 3myy rate of average earnings growth excluding bonuses remained stable throughout the period under review, initially stagnating at 3.4% in April and more latterly holding steady at 3.5% in July.
- CPI inflation stuck at 2.8% in May, but is now ticking upwards, standing at 3.1% in August and forecast to rise to 4.3% by January 2027.
- The Bank of England left interest rates unchanged at 3.75% although it intimated in its September meeting that rates will be hiked in November or December if a resolution to the conflict in the Middle East is not forthcoming before then.
- The 10-year gilt yield fluctuated between 5.43% and 4.69%, ending September at 5.43%.
- The economy has continued to surprise to the upside, with real GDP growth of 0.6% q/q for the period January to March, followed by a resilient 0.5% q/q rise through to the end of June. This has been followed by another strong monthly increase of 0.4% m/m in July. This marked the biggest rise since the Middle East conflict started and suggests the resilience of the economy in the first half of the year continued into the early stages of the second half. The rise in July was broad-based with services output up by 0.4% m/m, industrial production 0.2% m/m higher and construction output rising by 0.1% m/m. The Office for National Statistics also noted that businesses reported stronger activity related to AI and cloud computing.
- If real GDP is flat in both August and September, a further healthy rise of 0.6% q/q is anticipated. However, the economy's prolonged resilience is unlikely to last as the drag from rising energy prices (the January energy cap is projected to increase by c20%) and borrowing costs will be felt before long.
- The fall in the composite Purchasing Manager Index (PMI) from 49.7 in May to a 14-month low of 49.4 in June was entirely driven by services activity. Indeed, the services activity PMI fell from 49.3 to a 41-month low of 48.7 due to rising costs and political uncertainty weighing on consumer confidence. That weakness was partly offset by a rise in the manufacturing output for a third consecutive month but that was due to fears of shortages causing businesses to build stocks. Overall, the composite PMI suggested the strong start to the year would be followed by tepid growth at best.
- By September, the composite PMI stood at 52.0. While this was still indicative of expanding activity, it was weaker than August's 52.5 and the lowest level in three months, suggesting the latest leap in energy prices and the prospect of another tax-raising Autumn Budget are weighing on activity. Within the composite report, employment contracted (i.e., a reading below 50) for the twenty-fourth consecutive month while higher fuel and payroll costs contributed to the sharpest rise in prices

charged since May. The services PMI fell from 52.5 to 52.1, reportedly due to subdued domestic economic conditions and ongoing geopolitical uncertainty. Meanwhile, weak consumer demand constrained production, bringing the manufacturing output subcomponent balance down from 52.1 to a six-month low of 51.5. The press release also noted that weaker consumer demand was partly offset by AI investment and greater defence spending.

- Retail sales volumes were up in every major category except “other stores” and fuel in August, leaving the headline figure up 0.5% m/m. That fully reversed the 0.5% m/m decline in July and left the level of retail sales 2.4% higher than last August. Even if retail sales volumes were flat in September, volumes for the quarter as a whole would still rise by 0.5% q/q, higher than the 0.2% q/q rise in the previous quarter. August’s figure suggests that other factors are offsetting the drag on real incomes from higher energy prices and borrowing costs, or that households remain able and willing to reduce their saving rate to sustain recent spending growth. That said, with inflation yet to peak, the biggest drag on households’ real income has yet to come.
- The public finances have been challenged for several months now. Public sector net borrowing of £23.3bn in May was above the Office for Budget Responsibility’s (OBR’s) forecast of £17.7bn and £5.4bn above the corresponding figure last year. The weak performance in May was mainly due to the strength of government spending, as the rise in Retail Prices Index inflation in March meant debt interest payments were £4.1bn higher than in May 2025, £3.3bn higher than the OBR anticipated in March and the highest in any May on record. Tax receipts of £85.5bn were also below OBR predictions.
- More recently, public sector net borrowing of £18.3 billion in August was once again higher than the OBR’s forecast of £14.8 billion. It also marked the second highest August borrowing figure since records began in 1993. At £12.4 billion, current borrowing (i.e., excluding investments) which is important for the Chancellor’s fiscal mandate, was also above the OBR’s forecast of £10.4 billion. Higher central government tax receipts were not enough to offset the effect of higher government spending. Central government expenditure overshot the OBR’s forecast by £2.3 billion, partly due to higher inflation pushing up debt interest payments and government spending on public services.
- Regarding employment, the latest PAYE employment figure for August saw a 26,000 fall, leaving employment 95,000 lower than before the start of the Iran War in February and 0.5% lower than a year ago. The number of job vacancies continued to fall, edging down from 706,000 in the three months to July to 702,000 in the three months to August. While alternative measures of employment show a slightly stronger picture, the unemployment rate stayed at 4.9% in July for the fourth consecutive month.
- That recent further weakening of the labour market continues to weigh on pay growth. The 3myy growth rate of average earnings including bonuses eased from 4.2% in June to 3.9% in July entirely off the back of a slowdown in private sector bonus growth. By contrast, a jump in public sector bonus growth meant that total public sector pay growth rose from 6.2% to 6.6%. The timelier HMRC median PAYE measure of pay tells a similar story, with the 3myy growth rate falling from 4.5% in July to a seven-month low of 4.1% in August. That points to a further fall in average earnings growth from 3.9% to around 3.6%.

- The knock-on impact from surging energy prices is now being felt, pushing CPI inflation up from 2.9% in July to 3.1% in August. That increase was entirely due to the 6.9% m/m rise in fuel prices, which lifted annual fuel inflation from 15.3% to 23.0%. Even so, higher energy costs do not yet seem to be boosting other items of the CPI just yet. For example, food and drink inflation stayed at 1.3%. That said, the combination of the current levels of energy prices, with brent crude still around $100pb, and the eventual "first-round" effect of businesses passing on some of their higher energy costs will likely result in CPI inflation rising to around 3.6% in September and to a peak of about 4.3% in January based on forecasts from Capital Economics.
- Regarding Bank Rate, the Bank of England will want to steer clear of allegations of taking too long to act as inflation picks up, and in September intimated that despite a 6-3 vote against increasing Bank Rate to 4%, four of the majority who voted for no change are minded to vote for a rate hike in November or December if the conflict in the Middle East remains unresolved.
- April through to September brought more volatility for the gilt market. For example, after ending March at 4.92%, the 10-year Gilt shot up to 5.18% in mid-May, its highest level since 2008. Its movement since has reflected sentiment in the Middle East, falling back to 4.7% in June but finishing September at 5.43% as US/Iran relations remain sour.
- The FTSE 100 started April below 10,200, below its record high of around 10,900 in late February. Nonetheless, the index surged to just shy of that level in late July. More recently, it has struggled, ending September at 10,606. Moreover, it materially underperformed the broader more domestic-focused FTSE 250 and most other international indices over this period, weighed down by weightings towards energy, mining, financials and pharmaceuticals and lack of exposure to tech stocks which generally outperformed globally.

- **MPC meetings: 30 April, 18 June, 30 July, 17 September 2026**
- There were four Monetary Policy Committee (MPC) meetings held in the first half of the financial year. In April, the Committee voted 8-1 to keep rates at 3.75%, with one dissenter voting for 4%. By June, the split had become 7-2, with concerns that rising energy prices, emanating from the conflict in the Middle East, would lift inflation and potentially give rise to second round inflation effects reflected in higher wages.
- As the year has progressed, the split has grown further. The July and September meetings both recorded a 6-3 split, with Greene, Mann and Pill voting for a hike in rates to 4% at both meetings. As noted, several other members of the committee have intimated that they are likely to vote for an increase in November or December if there is no resolution to the conflict in the Middle East.

3.2 Interest Rate Forecasts

The Authority has appointed MUFG Corporate Markets as its treasury advisors and part of their service is to assist the Authority to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the Standard Rate minus 20bps) which has been accessible to most authorities since 1 November 2012.

MUFG Corporate Markets' latest forecast on 21 September sets out a view that short, medium and long-dated interest rates will eventually fall back over the next year or two, although in the near-term there is an anticipated increase in Bank Rate to 4% given the upward influences on inflation primarily emanating from energy price shocks driven by events in the Middle East. The challenging UK fiscal backdrop provides some further upside risks to the medium to longer part of the curve, which has also been revised higher in the near-term.

It is noted that the broader market sentiment has focussed on Bank Rate increasing to a peak between 4.5% and 4.75%, but the central view of MUFG Corporate Markets is that a backdrop of a significant increase of 20%+ in the energy price cap likely in January, and with mortgage rates also shifting upwards, households are unlikely to be able to support the economy as strongly as they have done so in the first half of the financial year.

MUFG Corporate Markets Interest Rate View 21.09.26													
	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28	Mar-29	Jun-29	Sep-29	Dec-29
BANK RATE	4.00	4.00	4.00	3.75	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
3 month ave earnings	4.00	4.00	4.00	3.80	3.50	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30
6 month ave earnings	4.20	4.10	4.00	3.80	3.70	3.50	3.40	3.40	3.40	3.40	3.40	3.40	3.40
12 month ave earnings	4.80	4.60	4.40	4.20	4.00	3.80	3.70	3.70	3.70	3.70	3.70	3.70	3.70
5 yr PWLB	5.60	5.60	5.30	5.10	4.70	4.50	4.50	4.40	4.40	4.30	4.30	4.30	4.30
10 yr PWLB	6.00	5.90	5.60	5.40	5.00	4.80	4.80	4.70	4.70	4.60	4.60	4.60	4.60
25 yr PWLB	6.50	6.40	6.10	5.90	5.60	5.30	5.30	5.30	5.30	5.30	5.20	5.20	5.20
50 yr PWLB	6.10	6.10	5.80	5.50	5.30	5.10	5.00	5.00	5.00	5.00	4.90	4.90	4.90

MUFG Corporate Markets Interest Rate View 03.08.26													
	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28	Mar-29	Jun-29	Sep-29
BANK RATE	3.75	3.75	3.75	3.75	3.50	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25
3 month ave earnings	3.90	3.80	3.80	3.70	3.50	3.50	3.30	3.30	3.30	3.30	3.30	3.30	3.30
6 month ave earnings	4.20	4.00	3.90	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.50	3.50	3.50
12 month ave earnings	4.50	4.40	4.20	4.20	4.00	4.00	3.80	3.80	3.80	3.80	3.80	3.80	3.80
5 yr PWLB	5.20	5.00	4.80	4.70	4.50	4.30	4.20	4.10	4.10	4.10	4.20	4.20	4.20
10 yr PWLB	5.70	5.50	5.30	5.20	5.00	4.80	4.70	4.60	4.60	4.60	4.70	4.70	4.70
25 yr PWLB	6.30	6.00	5.80	5.70	5.40	5.30	5.20	5.20	5.20	5.20	5.20	5.20	5.30
50 yr PWLB	6.10	5.80	5.60	5.50	5.20	5.10	5.00	5.00	5.00	5.00	5.00	5.00	5.10

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	Jun-29	Sep-29
BANK RATE	3.75	3.75	3.75	3.75	3.75	3.50	3.50	3.25	3.25	3.25	3.25	3.25	3.25	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	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	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	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	4.20	4.20
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	4.70	4.70
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	5.20	5.20
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	5.00	5.00

4. Treasury Management Strategy Statement and Annual Investment Strategy

The Treasury Management Strategy Statement, (TMSS), for 2026/27 was approved by the Council on 25th February 2026.

- There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

5. The Council's Capital Position and Prudential Indicators

This part of the report updates on:

- The council's capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

5.1 Prudential Indicator for Capital Expenditure

This table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget.

Capital Expenditure by Service	2026/27 Original Budget £000s	2026/27 Current Budget (1) £000s	2026/27 Forecast £000s
Chief Digital and Information Officer	920	789	794
Environmental Services	4,163	4,501	3,687
Customer Services	50	0	0
Community Services	1,600	1,610	1,800
Parks Countryside and Climate	3,028	5,327	5,597
Finance	50	50	0
Housing and Regeneration	2,892	4,506	7,648
Leisure and Health	11,653	11,070	10,962
Planning	4,293	4,834	4,168
Property and Facilities	808	1,944	1,426
Total Capital expenditure	**29,457**	**34,631**	**36,082**

(1)Includes rephased budgets from 2025/26

5.2 Changes to the Financing of the Capital Programme

The table below draws together the main strategy elements of the capital expenditure plans (above), highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the council by way

of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Capital Financing	2026/27 Original Budget £000s	2026/27 Current Budget £000s	2026/27 Forecast £000s
Total Capital expenditure	**29,457**	**34,631**	**36,082**
Financed by:			
Capital Grants	5,643	8,037	11,572
Capital Reserves	4,293	4,834	4,168
Capital Receipts	50	50	50
Total financing	**9,986**	**12,921**	**15,790**
Borrowing requirement	**19,471**	**21,710**	**20,292**

Capital is not charged directly to revenue, but there is an effect on revenue of capital expenditure. This is made up of the interest on any loans taken out to finance capital, and the annual Minimum Revenue Provision (MRP) charge. The MRP charge is based on the cost of each asset divided by the life of the asset, the result is charged to revenue each year. The table below shows the effect on the charge to revenue as a result of changes to the capital programme.

Proportion of Financing Costs to Net Revenue Stream	2026/27 Budget £000s	2026/27 Current Budget £000s	2027/27 Forecast £000s
Net Revenue Stream	27,715	28,738	28,586
Financing Costs	4,327	4,327	4,106
Proportion of Net Revenue Stream	**16%**	**15%**	**14%**

5.3 Changes to the Prudential Indicators for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary

The table below shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period, which is termed the Operational Boundary.

Prudential Indicator – Capital Financing Requirement

The CFR is forecast to be £1.481m less than current budget (the current budget includes budget rephasing's from 2025/26).

Prudential Indicator – the Operational Boundary for external debt

	2026/27 Original Budget £000s	2026/27 Current Budget £000s	2026/27 Forecast £000s
Prudential Indicator – Capital Financing Requirement			
Capital Financing Requirement[1]	**79,080**	**74,552**	**74,552**
Net Movement in CFR[2]	**16,121**	**18,580**	**17,162**
CFR (Year end position)	**95,201**	**93,132**	**91,714**
Prudential Indicator – the Operational Boundary for external debt			
Borrowing[3]	115,000	34,255	34,255
Long-term liabilities[4]		1,721	1,721
Total debt (year-end position)	**115,000**	**35,976**	**35,976**

[1] Opening CFR 2026/27 £74.552m actual used for Current Budget and Forecast. For the Original Budget £79.080m.

[2] Borrowing Requirement – MRP = £19.471m - £3.350m = £16.121m

[3] £115m is the limit set in the 2026/27 Treasury Management Strategy.

[4] Finance lease for Phoenix Court.

5.4 Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for capital purposes. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2026/27 and next two financial years. This allows some flexibility for limited early borrowing for future years.

Total Debt	2026/27 Original Budget £000s	2026/27 Current Budget £000s	2026/27 Forecast £000s
Borrowing	34,255	34,255	34,255
Long-term liabilities[1]	600	1,721	1,721
Total debt	**34,855**	**35,976**	**35,976**
CFR (Year end position)	**95,201**	**93,132**	**91,714**

[1] Finance lease for Phoenix Court.

A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected

maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised limit for external debt	2026/27 Original Indicator £000s	2026/27 Current Budget £000s	2026/27 Forecast £000s
General Debt Other long-term liabilities	95,000	11,721	11,721
Service Loans	15,000	0	0
CIS Debt	25,000	24,255	24,255
Total	**135,000**	**35,976**	**35,976**[1]

(1) This is the sum of the debt at the year-end (£34.255m) plus long-term liabilities (Phoenix Court lease) of £1.721m.

6. Borrowing

The council's forecast capital financing requirement (CFR) for 2026/27 is £91.7m. The CFR denotes the council's underlying need to borrow for capital purposes. If the CFR is positive the council may borrow from the PWLB or the market (external borrowing), or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions and interest rates. The table in 5.4 shows the council has external borrowing of £36.0m and therefore forecast to utilise £55.7m of cash flow and balance sheet funds in lieu of borrowing (CFR – total debt). This is a prudent and cost-effective approach in the current economic climate but will require ongoing monitoring if gilt yields remain elevated, particularly at the longer-end of the yield curve (25 to 50 years) if borrowing is required in the near-term.

It is currently forecast that further external borrowing will not be undertaken during this financial year.

Liability Benchmark
The Council is required to estimate and measure the Liability Benchmark (LB) for the forthcoming financial year and the following two financial years, as a minimum. See Appendix B for the Liability Benchmark chart

The Council is currently in an under-borrowed position, external borrowing is less than the CFR, internal borrowing is being used (i.e. reserves and working capital) to fund capital expenditure, this according to the liability benchmark will continue until the mid 2030s, based on the current borrowing position. However as more borrowing is taken on to finance capital expenditure the CFR will likely move outwards and the liability benchmark moves upwards as the investment balance reduces. The CFR is being gradually reduced by application of the minimum revenue provision (MRP) charge to revenue, although as new expenditure plans are made the CFR line will reduce at a slower rate, and will not in reality reach zero. The cash available to invest will increase as the MRP builds up in the cash balances. The liability benchmark line (dotted) is the cash available to invest less a liquidity buffer to meet any immediate cashflow needs. Future borrowing which may be required in future

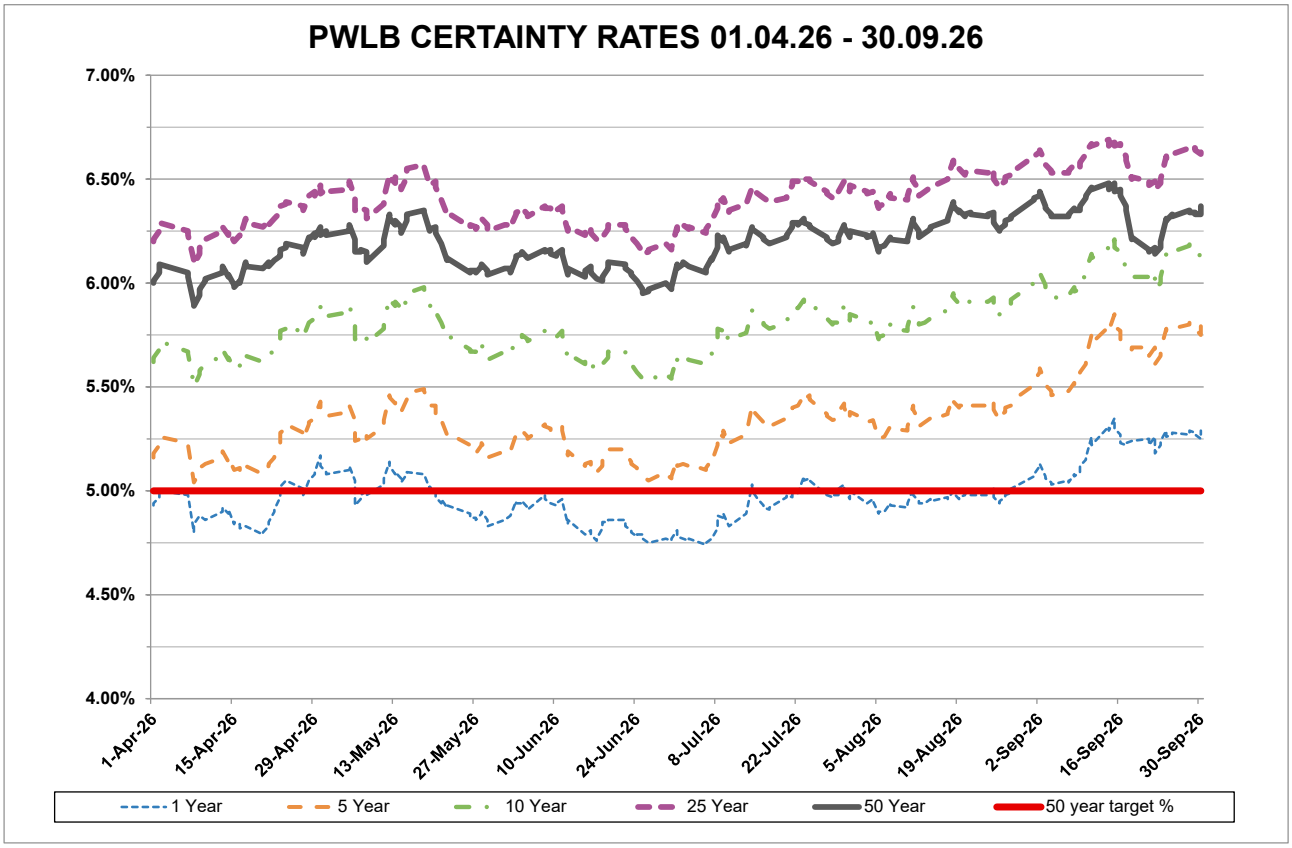
PWLB maturity certainty rates (gilts plus 80bps) year to date to 30 September 2026

Gilt yields and PWLB Certainty Rates have remained volatile throughout the six months under review, but the general trend has been for the whole curve to shift higher on the back of inflation concerns and a pessimistic outlook for fiscal aspects, both domestically and internationally.

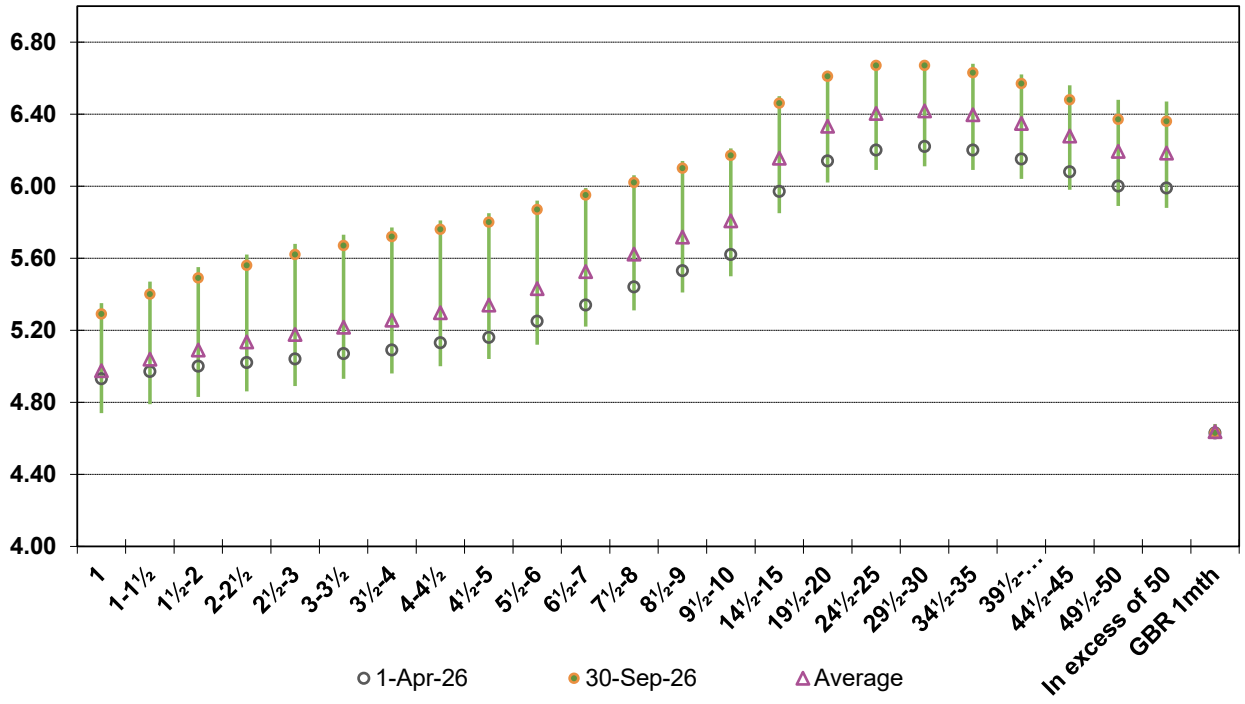
Consequently, the bulk of the low points in the charts below pertain to early April 2026 with the highs congregated around mid-September. The spreads have ranged from 0.59% in the 50-year part of the curve through to 0.81% in the 5-year part of the curve.

At this juncture, MUFG Corporate Markets forecasts rates to fall back over the next one to three years as inflation dampens, but in the near-term there are upside risks should the second-round effects of inflation, primarily from energy price shocks emanating in the Middle East, become embedded. That scenario could lead to wage increases becoming more challenging from an inflation-management perspective, resulting in monetary policy tightening further than currently forecast (one increase in Bank Rate of 0.25% in either November or December 2026). Conversely, a swift resolution to the conflict in the Middle East could see energy prices fall back swiftly and, therein, an easing in inflation concerns and monetary policy respectively. Currently, the CPI measure of inflation is expected to hit a high of 4.3% in early 2027 before falling back towards the 2% target rate by 2028.

PWLB CERTAINTY RATES 01.04.26 - 30.09.26



PWLB CERTAINTY RATE VARIATIONS 01.04.26 to 30.09.26



HIGH/LOW/AVERAGE PWLB CERTAINTY RATES FOR 01.04.26 – 30.09.26

	1 Year	5 Year	10 Year	25 Year	50 Year
01/04/2026	4.93%	5.16%	5.62%	6.20%	6.00%
30/09/2026	5.29%	5.80%	6.17%	6.67%	6.37%
Low	4.74%	5.04%	5.50%	6.09%	5.89%
Low date	06/07/2026	08/04/2026	08/04/2026	08/04/2026	08/04/2026
High	5.35%	5.85%	6.21%	6.70%	6.48%
High date	15/09/2026	15/09/2026	15/09/2026	15/09/2026	14/09/2026
Average	4.98%	5.34%	5.81%	6.40%	6.19%
Spread	0.61%	0.81%	0.71%	0.61%	0.59%

- The current PWLB rates are set as margins over gilt yields as follows: -.
    - PWLB Standard Rate is gilt plus 100 basis points (G+100bps)
    - PWLB Certainty Rate (GF) is gilt plus 80 basis points (G+80bps)
    - PWLB Local Infrastructure Rate is gilt plus 60 basis points (G+60bps)
    - PWLB Certainty Rate (HRA) is gilt plus 40bps (G+40bps)

- The National Wealth Fund will lend to local authorities that meet its scheme criteria at a rate currently set at gilt plus 40bps (G+40bps).

7. Debt Rescheduling

Debt repayment and rescheduling opportunities have increased over the course of the past six months and will be considered if giving rise to long-term savings. However, no debt repayments or rescheduling have been undertaken to date in the current financial year.

8. Compliance with Treasury and Prudential Limits

It is a statutory duty for the council to determine and keep under review the affordable borrowing limits. During the half year ended 30 September 2026, the council has operated within the treasury and prudential indicators set out in the council's Treasury Management Strategy Statement for 2026/27, and no difficulties are envisaged for the current or future years in complying with these indicators.

All treasury management operations have also been conducted in full compliance with the council's Treasury Management Strategy and Practices.

See Appendix C for details of the Prudential and Treasury indicators.

9. Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2026/27, which includes the Annual Investment Strategy, was approved by the Council on 25th February 2026. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the council's investment priorities as being:

- Security of capital
- Liquidity
- Yield

The council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the council's risk appetite. In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with high credit quality financial institutions, using the Link suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.

Creditworthiness.
The UK's sovereign rating has proved to be robust through the first half of 2026/27. The Government is expected to outline in detail its future fiscal proposals in the Budget scheduled for 28 October 2026.

Investment Counterparty criteria
The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function. The portfolio of investments as at 30th September 2026 are listed in Appendix D.

Credit Default Swap prices
It is noted that sentiment in the current economic climate can easily shift, so it remains important to undertake continual monitoring of all aspects of risk and return in the current circumstances. See Appendix D.

Investment balances
The average level of funds available for short-term investment purposes during the first half of the financial year was **£71.3m**. These funds are available in the short-term to medium - term, the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the capital programme as well as balances on reserves (e.g. CIL reserve) and balance sheet working capital e.g. debtors and creditors.

Investment Performance

The following indicators are to be reported on as stated within the Treasury Management Strategy 2026/27. See also Appendix C.

- Portfolio risk score; **1.03**
- Average credit rating (security); **AA-**
- Weighted average maturity (Fixed term deposits); **22 days** (as at 30/09/2026)
- Interest rate risk; **£512,492**
- Rate of return; **3.86%**
- Liquidity; **£20.477m**

The council's budgeted investment interest return for 2026/27 is £1.671m, and the current forecast for the year is £2.229m.

Approved limits
The approved limits within the Annual Investment Strategy were not breached during the period ended 30 September 2026.

Proportionality of Investments
The Council is dependent on 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 of the Council is dependent on achieving the expected net investment income from investments, and how this has changed since the budget was set.

Proportionality of Investments	2026/27 Budget £000s	2026/27 Current Budget £000s	2026/27 Forecast £000s
Gross Service Expenditure	86,598	87,980	91,859
Net Investment income	3,755	3,232	2,905
Proportion	**4%**	**4%**	**3%**

Approved limits
Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the half year ended 30 September 2026.

10. Other Treasury Issues

1. IFRS 9 Fair Value of Assets Statutory Override

Following the consultation undertaken by MHCLG on IFRS 9, the Government has extended the statutory override for local authorities to reverse out (to an unusable reserve) all unrealised fair value movements resulting from pooled investment funds until 1st April 2029**.** This only applies to existing pooled fund investments not to new investments. This mechanism applies to the CCLA Property Fund in which the council has £4m invested.

2. Changes in risk appetite

The 2021 CIPFA Codes and guidance notes place importance on risk management. Where an council changes its risk appetite e.g., for moving surplus cash into or out of certain types of investment funds or other types of investment instruments. During this half year the council has maintained its use of the Debt Management Officer (DMADF) and Money Market Funds as been its strategy over the last few years.

3. Sovereign limits

The Council has determined that it will only use approved counterparties from the UK, and from countries with a **minimum sovereign credit rating of AA- from fitch or equivalent (investing in the UK will continue even if the UK's credit rating falls below AA-).** The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix E. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

11. Commercial Investment Strategy Indicators

Commercial Investment Indicators	2025/26 Actual	2026/27 Original Forecast	2026/27 Forecast
Interest Cover Ratio	1.8	1.7	2.1
Loan to Value Ratio	107.5%	104.9%	115.4%
Gross Rent Multiplier	12.7	14.0	13.6

Interest cover ratio (income/interest) is used to measure how readily a business can pay the interest due on loans. 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 more than the value of the property, a reduction in the value of the Rowley Centre has increased this indicator. Gross rent multiplier is the value of a property compared to its annual rental income, the lower the ratio the higher the yield.

Net income from Commercial and Service Investments	2026/27 Budget £000s	2026/27 Current Budget £000s	2026/27 Forecast £000s
Net income (1)	3,755	3,232	2,905
Net revenue stream	27,715	28,738	28,586
Proportion of net revenue stream	**14%**	**11%**	**10%**

(1) This is the total of CCLA Property Fund, Loans to Organisations and Commercial Estates. Forecast - £162k+£138k+£2,605k = £2,905k

The summary property listing is below, with valuations as at 31st March 2026. See Appendix F for the full detail.

Commercial Investment Property (Summary)	31/03/2025 Value £000s	Gain/(Loss) Addition £000s	31/03/2026 Value(1) £000s
Legacy Properties;			
Huntingdon	21,959	(775)	21,184
St Ives	1,523	109	1,632
St Neots	7,327	181	7,508
	30,809	**(485)**	**30,324**
CIS Properties			
2 Stonehill	2,276	189	2,465
80 Wilbury Way	1,908	282	2,190
Shawlands Retail Park	5,551	606	6,157
1400 & 1500 Parkway	4,037	(132)	3,905
Rowley Arts Centre, St Neots	5,899	(1,092)	4,807
Little End Road, St Neots	5,265	146	5,411
Tri-link, Wakefield	15,950	1,601	17,551
Alms Close	1,506	0	1,506
	42,392	**1,600**	**43,992**
Total	**73,201**	**1,115**	**74,316**

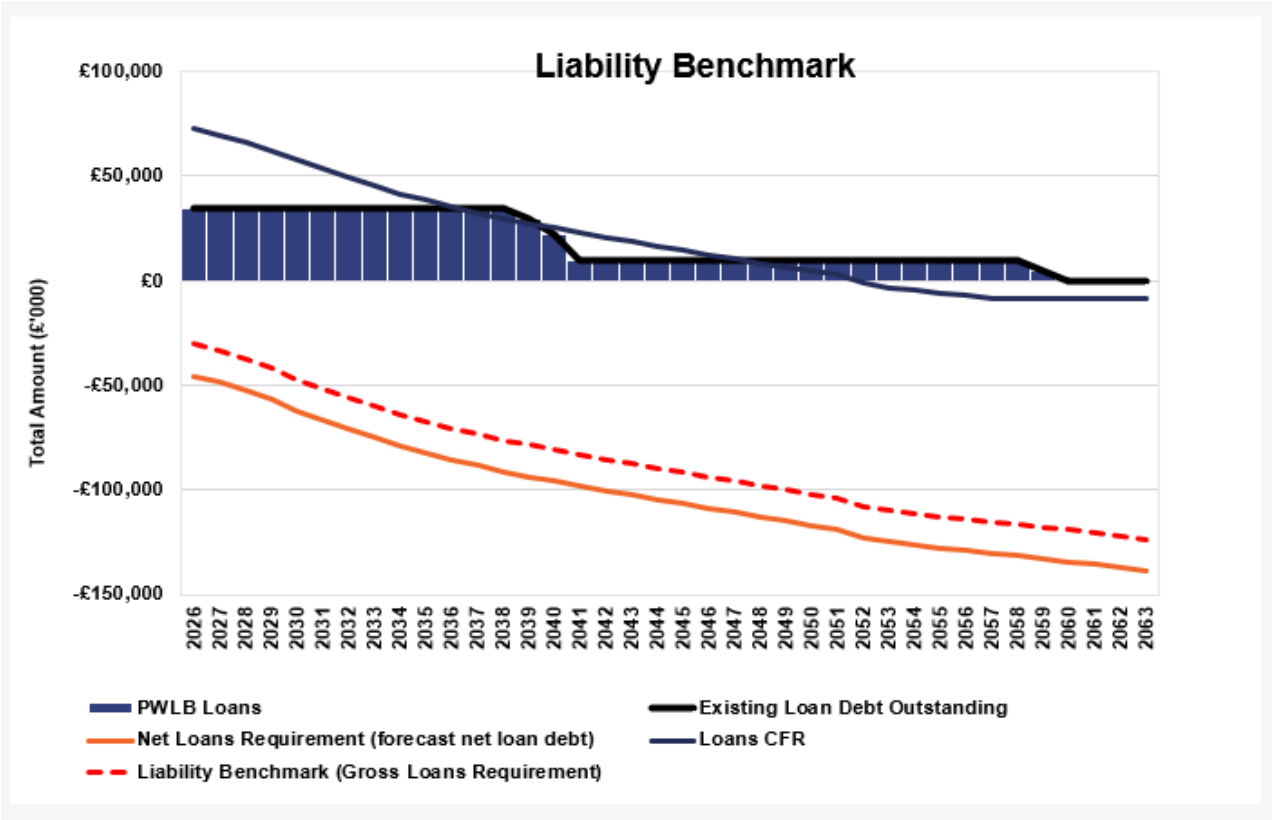
(1)The valuations are still subject to review and audit

APPENDIX A: External Borrowing Schedule

Counterparty	Type	Amount £	Rate %	Start Date	Maturity Date
PWLB	Maturity	5,000,000	3.91	19/12/2008	19/12/2057
PWLB	Maturity	5,000,000	3.90	19/12/2008	19/12/2058
PWLB	Maturity	5,000,000	2.78	02/10/2017	02/10/2037
PWLB	Maturity	7,291,685	2.49	11/03/2019	11/03/2039
PWLB	Maturity	11,963,000	2.18	26/06/2019	26/06/2039
		34,254,685			

APPENDIX B: CFR, Liability Benchmark and Borrowing

The Council is required to estimate and measure the Liability Benchmark (LB) for the forthcoming financial year and the following two financial years, as a minimum.



There are four components to the LB: -

1. **Existing loan debt outstanding**: the Council's existing loans that are still outstanding in future years.
2. **Loans CFR**: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP. This includes only current borrowing not future unplanned borrowing.
3. **Net loans requirement**: this will show the Council's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
4. **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance. In practice this is the amount required to pay the regular precept payments.

The Council is currently in an under-borrowed position (external borrowing is less than the CFR, internal borrowing is being used i.e. reserves and working capital to fund capital expenditure), this according to the liability benchmark will continue until the mid 2030s, although as plans evolve the CFR will likely move outwards. The CFR is being gradually reduced by application of the minimum revenue provision (MRP) charge to revenue, although as new expenditure plans are made the CFR line will reduce at a slower rate, and will not in reality reach zero.

The cash available to invest will increase as the MRP builds up in the cash balances. The liability benchmark line (dotted) is the cash available to invest less a liquidity buffer to meet any immediate cashflow needs.

APPENDIX C: Prudential and Treasury Indicators

Treasury Indicators	2026/27 Limit £'000	30.09.26 Actual £'000
Authorised limit for external debt	135,000	34,255
Operational boundary for external debt	115,000	34,255
Gross external debt		35,976
Investments		80,943
Net investment		44,967
Maturity structure of fixed rate borrowing - upper and lower limits		
Under 12 months	0%/80%	0.0%
12 months to 2 years	0%/80%	0.0%
2 years to 5 years	0%/80%	0.0%
5 years to 10 years	0%/100%	0.0%
10 years to 20 years	0%/100%	70.7%
20 years to 30 years	0%/100%	0.0%
30 years to 40 years	0%/100%	29.2%
40 years to 50 years	0%/100%	0.0%
Upper limit for principal sums invested over 365 days Year 1 Year 2 Year 3	 10,000 9,000 8,000	 4,000 4,000 4,000
Minimum Total Cash Available (3 month end rolling – July to September)[1]	15,000	20,477
Interest Rate Risk (Impact of 1% rise/fall)	600	560

Average Credit Rating[2] of investments[3]	A-	AA-
Portfolio Average Risk[4]		1.03

[1] Simple average on month end balances

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

[3] Includes MMFs, DMO and Banks

[4]Score is on scale 1 to 7, with 7 the highest risk, this is calculated by Link from a return made monthly 30/09/2023 = 1.03, 31/03/2024 = 1.02, 30/06/2024 = 1.01

Prudential Indicators	2026/27 Budget £'000	2026/27 Forecast £'000
Capital expenditure		
Capital Financing Requirement (CFR)	95,201	91,651
Annual change in CFR[1]	16,121	17,099
In year external borrowing requirement	0	0
Proportion of financing costs to net revenue stream	16%	15%

[1]The forecast is higher because of rephasing from 2025/26, however the opening CFR position was lower than budget because of the delayed expenditure and subsequent rephasing.

APPENDIX D: Investment Portfolio

Investments held as of 30 September 2026 compared to the 2026/27 counterparty list:

Counterparty	2026/27 Limit £m	30/09/2026 Actual £m
Deposit Accounts and Deposits		
NatWest Business Reserve Account	4.00	0.692
Barclays Interest Bearing Account	4.00	.0001
Debt Management Office (DMO)	Unlimited	55.900
Money Market Funds		
Aberdeen Liquidity Fund	5.00	3.160
BlackRock Institutional sterling liquidity Fund	5.00	3.025
CCLA Public Sector Deposit Fund	5.00	2.950
Federated Short Term Prime Fund	5.00	2.970
HSBC Global Liquidity Funds ESG	5.00	2.920
Insight Liquidity Fund	5.00	1.200
Invesco Liquidity Fund	5.00	2.925
Legal & General Sterling Liquidity Fund	5.00	1.200
Property Fund		
CCLA Property Fund	5.00	4.000
Total Investments		**80.943**

Counterparty	Balance 01/04/2026 £m	Movement £m	Balance 30/09/2026 £m	Weighted Average Rate[1] %	Weighted Average Maturity (Days)[1]
Banks[2] (NatWest/Barclays)	0.223	0.469	0.693	2.00	1
Debt Management Office (DMADF)	46.300	9.600	55.900	3.81	31
Money Market Funds	19.180	1.170	20.350	3.91	1
Property Fund (CCLA)	4.000	0.000	4.000[3]	4.67[4]	>365
Total Investments	**69.703**	**11.240**	**80.943[5][6]**	**3.86**	
Loans	1.984	(0.00)	1.984	6.99	743
Total	**71.687**	**11.240**	**82.927[5]**	**3.93**	

[1]At month end

[2] NatWest (£692k) and Barclays (£1k) deposit accounts at 30/09/2026

[3]The Net Asset Valuation as at 30/08/2026 is £3.541m

[4]Dividend yield on net asset value at 30/08/2026

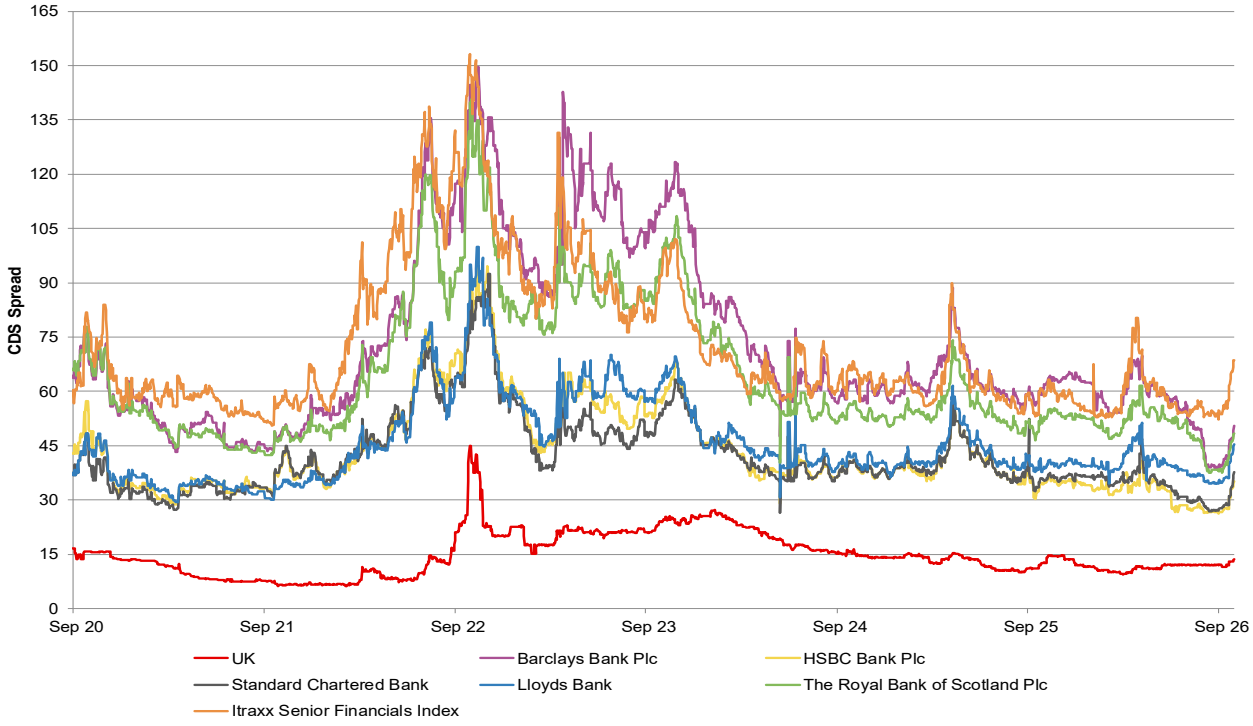
[5]This is a net movement, invested was £355.765m and repaid £344.525m.

[6]The total investment balance at the end of Q1 was £68.738m

a

UK Banks 5 Year Senior Debt Credit Default Swaps (CDS) Spreads as of 30 September 2026

This is an optional graph which shows the assessment of creditworthiness risk of key banks. The cost of insuring against default is low in historic terms despite a recent tick up. (The chart below shows the cost in basis points of ensuring against the prospect of default on 5 year "paper" issued by major UK banks v the ITRAXX Senior Financials Index.)



APPENDIX E: Approved Countries for Investments as of 30 September 2026

The UK will remain on the list of approved countries even if its credit rating drops below AA-.

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.**

A+

- Belgium
- France

APPENDIX F 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	Gain/(Loss) Additions £000s	31/03/2026 Value £000s
Legacy Properties;							
Huntingdon							
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
	21,599	**(7)**	**21,592**	**367**	**21,959**	**(775)**	**21,184**
St Ives							
Library Row Shops	532	29	561	0	561	0	561
Enterprise Centre	883	0	883	79	962	109	1,071
	1,415	**29**	**1,444**	**79**	**1,523**	**109**	**1,632**
St Neots							
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 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
	7,314	**(36)**	**7,278**	**49**	**7,327**	**181**	**7,508**
Total	**30,328**	**(14)**	**30,314**	**495**	**30,809**	**(485)**	**30,324**
CIS Properties							
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
	40,603	**(634)**	**39,970**	**2,351**	**42,392**	**1,600**	**43,992**
Total	**70,931**	**(648)**	**70,284**	**2,847**	**73,201**	**1,115**	**74,316**

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 were called Link Group.

Office of Budget Responsibility (OBR)
An independent public sector body that provides independent forecasts.

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.
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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.