

Title: Annual Treasury Management Report 2024/25  
 Lead Officer: Richard Wilson, Principal Accountant (Capital & Treasury), ([richard.wilson@warwickdc.gov.uk](mailto:richard.wilson@warwickdc.gov.uk) or 01926 456801)  
 Portfolio Holder: Councillor Jonathan Chilvers  
 Wards of the District directly affected: All

<b>Approvals required</b>	<b>Date</b>	<b>Name</b>
<b>Portfolio Holder</b>	19/9/25	Jonathan Chilvers
<b>Finance</b>	12/9/25	Andrew Rollins
<b>Legal Services</b>		N/A
<b>Chief Executive</b>	16/9/25	Chris Elliott
<b>Director of Climate Change</b>	24/9/25	David Elkington
<b>Head of Service(s)</b>	12/9/25	Andrew Rollins
<b>Section 151 Officer</b>	12/9/25	Andrew Rollins
<b>Monitoring Officer</b>	23/9/25	Graham Leach
<b>Leadership Co-ordination Group</b>		N/A
<b>Final decision by this Committee or rec to another Cttee / Council?</b>	No, recommendation to Council.	
<b>Contrary to Policy / Budget framework?</b>	No	
<b>Does this report contain exempt info/Confidential? If so, which paragraph(s)?</b>	No	
<b>Does this report relate to a key decision (referred to in the Cabinet Forward Plan)?</b>	No	
<b>Accessibility Checked?</b>	Yes	

## Summary

The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2024/25. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

This report covers the Council's performance for the whole of 2024/25 and is attached as Appendix A.

## Recommendations

That Cabinet recommends to Council that it:

- (1) Approve the actual 2024/25 prudential and treasury indicators in this report.
  - (2) Note the annual treasury management report for 2024/25.
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### 1 Reasons for the Recommendation

- 1.1 The Treasury Management Strategy for 2024/25 and the Council's Treasury Management Practices, in accordance with the Code of Practice for Treasury Management, require that the Treasury Management function reports on its activities during the year by no later than 30<sup>th</sup> September in the year after that being reported on.
- 1.2 Due to the impact of workload on the Statement of Accounts and associated external audits the Council has been unable to produce this report since 2021/22.
- 1.3 During 2024/25 the minimum reporting requirements were that the full Council should receive the following reports:
  - an annual treasury strategy in advance of the year (Cabinet 6<sup>th</sup> March 2024, approved by Council 20<sup>th</sup> March 2024),
  - a mid-year (minimum) treasury update report (Audit & Standards Committee 7<sup>th</sup> January 2025),
  - an annual review following the end of the year describing the activity compared to the strategy (this report).
- 1.4 In addition, this Council receives a half-yearly treasury management update report for the second half of 2024/25, which was reported to the Audit and Standards Committee on 25<sup>th</sup> September 2025.
- 1.5 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.
- 1.6 The report comments, where appropriate, on the Council's actual performance against what was forecast in the 2024/25 Treasury Management Strategy as well as, in certain instances, latest forecasts. The Council is also required to comment on its performance against its Annual Investment Strategy for the year.
- 1.7 The Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all the above treasury management reports by the

relevant committee before they were reported to the Full Council. Member training on treasury management issues was last undertaken on 28<sup>th</sup> February 2024 to support members' scrutiny role.

- 1.8 During 2024/25, the Authority 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:

**Table 1**

<b>Prudential and treasury indicators</b>	<b>31/3/24 Actual £'000</b>	<b>2024/25 Original £'000</b>	<b>31/3/25 Actual £'000</b>
<b>Capital expenditure:</b>			
Non-HRA	23,216	23,164	16,482
HRA	31,913	57,710	45,490
<b>Total</b>	<b>55,129</b>	<b>80,875</b>	<b>61,972</b>
<b>Capital Financing Requirement:</b>			
Non-HRA	101,783	90,123	96,432
HRA	198,908	240,224	226,172
<b>Total</b>	<b>300,691</b>	<b>330,346</b>	<b>322,604</b>
Gross borrowing	238,157	341,082	249,351
External debt	238,157	341,082	249,351
<b>Investments:</b>			
Longer than 1 year	-	-	-
Under 1 year	-27,484	-23,668	-25,205
<b>Total</b>	<b>-27,484</b>	<b>-23,668</b>	<b>-25,205</b>
<b>Net borrowing</b>	<b>210,673</b>	<b>317,414</b>	<b>224,145</b>

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

- 1.10 The report consists of the following Appendices:

Appendix A - Annual Treasury Management Report 2024/25  
Appendix B – Glossary of Terms.

## **2 Alternative Options**

- 2.1 As explained in paragraph 1.1, the Code of Practice mandates that Annual Treasury Management Performance must be reported by 30<sup>th</sup> September after that financial year has closed, demonstrating compliance with the Prudential Code, or explaining any divergence for the approved Treasury Management Strategy and Prudential Indicators.
- 2.2 Due to the compounding impact of the last three year's Statement of Accounts it was not possible to commence writing this report in time to meet the 30<sup>th</sup> of September deadline, so it is being brought to the next available Committee date.
- 2.3 This report retrospectively reviews the Treasury Management activity for 2024/25 and is, therefore, a statement of fact.

### 3 Legal Implications

3.1 None directly arising from the Council's Treasury Management activity.

### 4 Financial Services

4.1 The Treasury Management Strategy has a significant impact on the Council's budget through its objective of maximising investment income and minimising interest payable whilst ensuring the security and liquidity of financial resources.

4.2 The Council relies on interest received to help fund the services it provides. The gross interest received in 2024/25, including non-Treasury Management interest of £2,768,400 and interest of £231,300 charged to the HRA on its balances ('Capital Financing Requirement') was £5,096,200. The table below compares this with forecast budget figures:

**Table 2**

<b>Investment Income</b>	<b>24/25 Forecast £'000</b>	<b>24/25 Actual £'000</b>	<b>25/26 Forecast £'000</b>	<b>26/27 Forecast £'000</b>
<b>Recurring items:</b>				
External investment income	3,134.8	2,096.5	1,625.7	1,625.7
<i>add</i> : HRA allocation <sup>#</sup>	356.4	231.3	17.5	82.1
	3,491.2	2,327.8	1,643.2	1,707.8
<b>Non-Treasury Management interest:</b>				
Deferred capital receipts interest	8.3	5.1	2.6	-
Long-term debtor loans	3,051.6	2,763.3	2,877.4	3,274.3
	3,059.9	2,768.4	2,880.0	3,274.3
<b>Net interest to General Fund</b>	<b>6,551.1</b>	<b>5,096.2</b>	<b>4,523.2</b>	<b>4,982.1</b>

# - a charge to HRA for internal borrowing from the General Fund rather than the PWLB

4.3 The external investment income was lower than forecast in 2024/25 in part because borrowing from the PWLB was deferred due to the cashflow position, resulting in lower borrowing costs that more than offset the lower investment returns. The borrowing costs are not included in the table above.

4.4 Interest earned by the General Fund from the Housing Revenue Account (HRA) will reduce further as it continues to borrow from the PWLB.

4.5 Borrowing costs to the HRA of £4.766m from the £136.167m of 2012 Self-Financing loans have been augmented by several new PWLB loans, with total HRA borrowing at 31 March 2025 now at £189.157m, adding a further £1.868m of charges to the HRA in 2024/25, a total charge to the HRA of £6.633m. The HRA's Capital Financing Requirement at 31 March 2025 was £226.2m with internal borrowing of £37.0m, compared with £18.8m at 31 March 2024.

4.6 Total General Fund PWLB loans at 31 March 2025 totalled £60.194m, including £45.0m for the Housing Joint Venture, £3.194m for Milverton Homes and £12.0m taken during 2019/20 towards leisure centres. Interest paid on these General Fund PWLB loans was £0.914m.

### 5 Corporate Strategy (Strategic Aim 1)

5.1 The treasury management activity in this report applies to Warwick District Council, in accordance with the statutory framework and local Treasury Management Strategy and Treasury Management Practices.

5.2 The Treasury Management function enables the Council to meet its vision, primarily through having suitably qualified and experienced staff deliver the

service in accordance with the Council's Treasury Management Practices and the national framework that local government operates.

## **6 Environmental/Climate Change Implications**

- 6.1 The recommendation to divest from direct ownership of fossil fuels companies or commingled funds that include fossil fuel public equities by no later than 2025, in pursuance of the Council's Climate Emergency Declaration, was realised three years ahead of target.
- 6.2 In November 2024 the Portfolio Holder gave a commitment to make amendments to the Treasury Strategy to enable quarterly Environmental, Social and Governance (ESG) screening to be applied on top of the underlying Security, Liquidity and Yield (SLY) requirements.
- 6.3 This will be looked at as part of the budget process for 2026/27 and the Annual Treasury Management Strategy for 2026/27, both being expected to be presented concurrently in February 2026.

## **7 Analysis of the effects on Equality**

- 7.1 There are no Equality Impact Assessment implications of this report.

## **8 Data Protection**

- 8.1 Treasury Management activity is compliant with Data Protection Act.

## **9 Health and Wellbeing-not applicable**

- 9.1 There are no health and wellbeing implications of the proposal in this report.

## **10 Risk Assessment**

- 10.1 Continued uncertainty in the aftermath of the 2008 financial crisis, brought into even sharper focus by the COVID-19 pandemic and other recent economic 'shocks', has promoted a cautious approach, whereby investments are now dominated by low counterparty risk considerations, with low returns compared to borrowing rates.

Investing the Council's funds inevitably creates risk and the Treasury Management function effectively manages this risk through the application of the **SLY principle**: Security(S) ranks uppermost followed by Liquidity (L) and finally Yield(Y).

It is accepted that longer duration investments increase the security risk within the portfolio, however this is inevitable to achieve the best possible return and still comply with the SLY principle which is a cornerstone of treasury management within local authorities.

In addition to credit ratings themselves, the Council will also have regard to any ratings watch notices issued by the three agencies as well as articles in the financial press, market data and intelligence from Link Asset Services benchmarking groups. It will also use Credit Default Swap (CDS) data as supplied by MUFG Corporate Markets – Treasury Solutions to determine the suitability of investing with counterparties (see Appendices C and D).

Corporate Bonds and Floating Rate Notes (FRNs) – when used -introduce counterparty credit risk into the portfolio through the possibility that the institution invested in could become bankrupt, leading to the loss of all or part of the Council's investment. This is mitigated by only investing in Corporate

Bonds or FRNs with a strong Fitch credit rating, in this case 'A' and issued as Senior Unsecured debt which ranks above all other debt in the case of a bankruptcy.

Covered Bonds also reduce risk in the portfolio as the bond is 'backed' by high quality assets such as prime residential mortgages thus ensuring that if the bond issuer defaults there are sufficient assets that can be realised to repay the bond in full.

Corporate Equity Funds can help to ensure capital security in real (as opposed to nominal) terms, but they consequently introduce the risk of capital loss due to market price fluctuations. This is mitigated by ensuring the investments are held for a sufficiently long period. In addition, mitigation is achieved by having a spread of funds with differing risk appetites. 'Stop loss' limits (whereby if the value in the fund goes below a defined limit, the holdings in that fund will be sold) reduce risk by limiting losses. Finally, a volatility reserve had been created, which could have been released to revenue either to cover or at least mitigate the impact of any deficits.

Our treasury management consultants, MUFU (previously Link), provided treasury management training for Members at the end of the previous financial year.

**11 Consultation**

No consultation is required for this report.

**12 Background papers:**

None

**13 Supporting documents:**

None.

**2024/25 Annual Treasury Management Report****1. Investment strategy and control of interest rate risk**

- 1.1. Investment returns remained robust throughout 2024/25, with Bank Rate reducing steadily through the course of the financial year (three 0.25% rate cuts in total), and even at the end of March the yield curve was still relatively flat, which might be considered unusual as further Bank Rate cuts were expected in 2025/26.
- 1.2. Bank Rate reductions of 0.25% occurred in August, November and February, bringing the headline rate down from 5.25% to 4.5%. Each of the Bank Rate cuts occurred in the same month as the Bank of England publishes its Quarterly Monetary Policy Report, providing a clarity over the timing of potential future rate cuts.
- 1.3. As of early April 2025, market sentiment has been heavily influenced by President Trump's wide-ranging trade tariffs policy. Commentators anticipate a growing risk of a US recession, whilst UK GDP is projected by the Office for Budget Responsibility to remain tepid, perhaps achieving 1% GDP growth in 2025/26.
- 1.4. Looking back to 2024/25, investors were able to achieve returns in excess of 5% for all periods ranging from 1 month to 12 months in the spring of 2024 but by March 2025 deposit rates were some 0.75% - 1% lower. Where liquidity requirements were not a drain on day-to-day investment choices, extending duration through the use of 'laddered investments' paid off.
- 1.5. Investment choices were not straight-forward. Concerns over rising inflation after the Autumn Statement in October led to reduced expectations for the Bank Rate to fall. Indeed, the CPI measure of inflation is expected to reach around 3.75% by the autumn of 2025, which could provide for some presentational issues for a Bank whose primary mandate is to ensure inflation is close to 2% on a two-to-three-year timeframe. At the end of March, only two further rate cuts were priced into the market for 2025 (4% at December 2025). A week later and sentiment has changed dramatically in the wake of the equity market sell-off to the extent that markets now expect three Bank Rate reductions between May and December 2025 (Bank Rate to fall to 3.75%).

**2. Borrowing strategy and control of interest rate risk**

- 2.1. During 2024/25 the Council 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 Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as although near-term investment rates were equal to, and sometimes higher than, long-term borrowing costs, the latter are expected to fall back through 2025 and 2026 in the light of economic growth concerns and the eventual dampening of inflation. The Authority has sought to minimise the taking on of long-term borrowing at elevated levels (above 5%) and has focused on a policy of internal and temporary borrowing, supplemented by shorter-dated borrowing (less than 10 years) as appropriate, other than back-to-back loans for Milverton Homes.

- 2.2. Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Head of Finance, therefore, monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks:
- if it had been felt that there was a significant risk of a sharp FALL in long and short-term rates, (e.g., due to a marked increase of risks around a relapse into recession or of risks of deflation), then long term borrowings would have been postponed, and potential rescheduling from fixed rate funding into short term borrowing would have been considered.
  - if it had been felt that there was a significant risk of a much sharper RISE in long and short-term rates than initially expected, perhaps arising from the stickiness of inflation in the major developed economies, then the portfolio position would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years.
- 2.3. Interest rate forecasts initially suggested gradual reductions in short, medium and longer-term fixed borrowing rates during 2024/25. Bank Rate did peak at 5.25% as anticipated, but the initial expectation of significant rate reductions did not transpire, primarily because inflation concerns remained elevated. Forecasts were too optimistic from a rate reduction perspective, but more recently the forecasts, updated from November 2024 onwards, look more realistic.
- 2.4. At the start of April 2025, following the introduction of President Trump’s trade tariffs policies, the market expected Bank Rate to fall to 3.75% by the end of December 2025, pulling down the 5- and 10-year parts of the curve too.
- 2.5. This should provide an opportunity for greater certainty to be added to the debt portfolio, although a significant fall in inflation will be required to underpin any material movement lower in the longer part of the curve.
- 2.6. Forecasts at the time of approval of the treasury management strategy report for 2024/25 were as follows:

**Table 3**

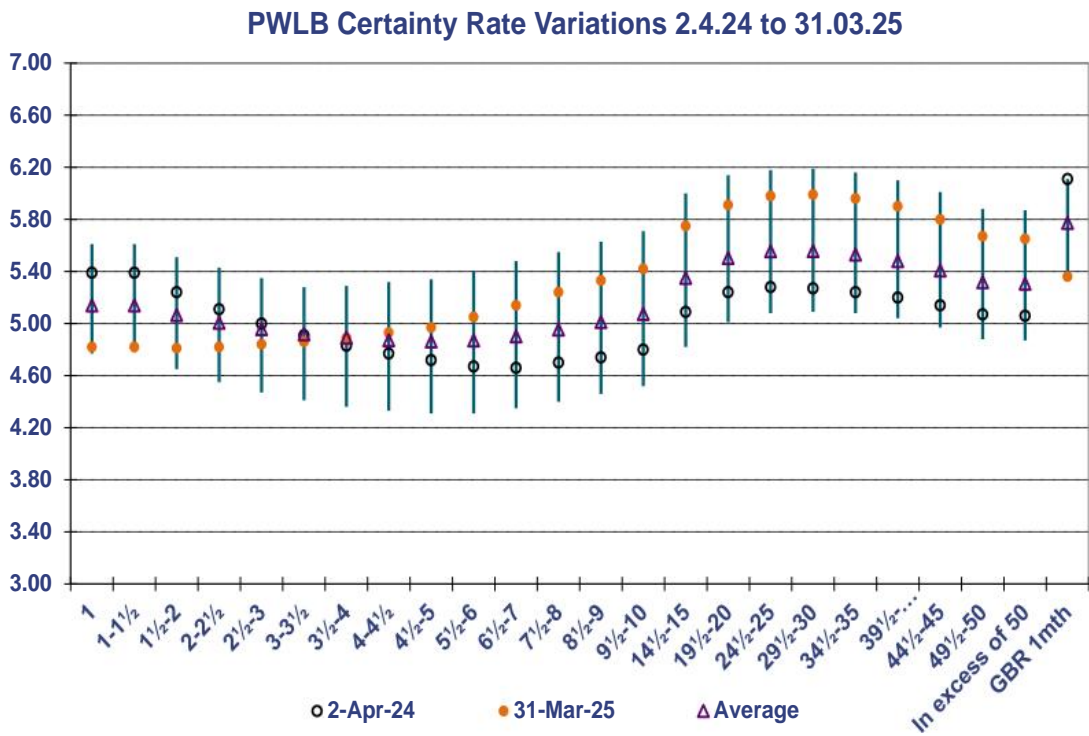
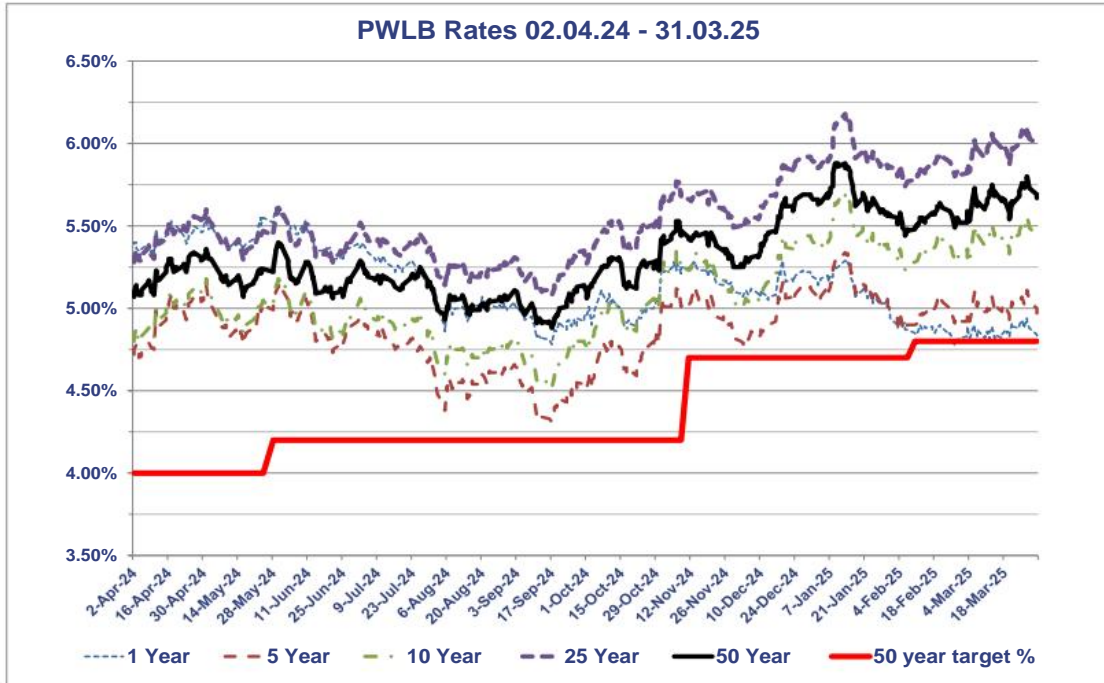
MUFG Corporate Markets Interest Rate View 08.01.24													
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00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

- 2.7. These forecasts changed during 2024/25, as shown by the tables below:

**Tables 4 - 8**

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

MUFG Corporate Markets Interest Rate View 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



2.8. 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. Indeed, in recent years many bond yields up to 10 years in the Eurozone turned negative on expectations that the EU would struggle to get growth rates and inflation up from low levels. In addition, there has, at times, been an inversion of bond yields in the US whereby 10-year yields have fallen below shorter-term yields. In the past, this has been a precursor of a recession.

- 2.9. 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. Rising cost pressures emanating from shortages of energy and some food categories have been central to inflation rising rapidly. Additionally, the Fed, ECB and Bank of England are being challenged by levels of persistent inflation that are exacerbated by tight labour markets and high wage increases, relative to what central banks believe to be sustainable.
- 2.10. Gilt yields have been volatile through 2024/25. Indeed, the low point for the financial year for many periods was reached in September 2024. Thereafter, and especially following the Autumn Statement, PWLB Certainty rates have remained elevated at between c5% - 6%, apart from the slightly cheaper shorter dates.
- 2.11. At the close of 31 March 2025, the 1-year PWLB Certainty rate was 4.82% whilst the 25-year rate was 5.98% and the 50-year rate was 5.67%.
- 2.12. Regarding PWLB borrowing rates, the various margins attributed to their pricing are as follows:
  - **PWLB Standard Rate:** gilt plus 100 basis points (G+100bps)
  - **PWLB Certainty Rate:** gilt plus 80 basis points (G+80bps)
  - **Local Infrastructure Rate:** gilt plus 60bps (G+60bps)
  - **PWLB HRA Borrowing Rate:** gilt plus 40bps (G+40bps)
- 2.13. There is likely to be a fall in gilt yields and PWLB rates across the whole curve over the next one to two years as Bank Rate falls and inflation (on the Consumer Price Index measure) moves lower.
- 2.14. As a 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.
- 2.15. The Bank of England is also continuing a process of Quantitative Tightening. The Bank's original £895bn stock of gilt and corporate bonds will gradually be sold back into the market over several years (currently c£623bn). The impact this policy will have on the market pricing of gilts, while issuance is still markedly increasing, and very high in historic terms, is an unknown at the time of writing.

### 3. Borrowing Outturn

3.1. **Borrowing** – The Council’s total borrowing, all from the PWLB, to drawn to fund the net unfinanced capital expenditure is shown in the table below:

**Table 9**

<b>PWLB Loan No.</b>	<b>Fund</b>	<b>Start Date</b>	<b>Interest Rate</b>	<b>Balance 31 Mar 2025</b>	<b>Maturity Date</b>
500847	HRA	28 Mar 2012	3.52%	£5,000,000	28 Mar 2053
500840	HRA	28 Mar 2012	3.52%	£8,000,000	28 Mar 2053
500846	HRA	28 Mar 2012	3.51%	£5,000,000	28 Mar 2054
500843	HRA	28 Mar 2012	3.51%	£8,000,000	28 Mar 2054
500835	HRA	28 Mar 2012	3.51%	£5,000,000	28 Mar 2055
500844	HRA	28 Mar 2012	3.51%	£8,000,000	28 Mar 2055
500852	HRA	28 Mar 2012	3.51%	£5,000,000	28 Mar 2056
500839	HRA	28 Mar 2012	3.51%	£8,000,000	28 Mar 2056
500854	HRA	28 Mar 2012	3.50%	£5,000,000	28 Mar 2057
500845	HRA	28 Mar 2012	3.50%	£8,000,000	28 Mar 2057
500837	HRA	28 Mar 2012	3.50%	£5,000,000	28 Mar 2058
500838	HRA	28 Mar 2012	3.50%	£8,000,000	28 Mar 2058
500850	HRA	28 Mar 2012	3.50%	£5,000,000	28 Mar 2059
500853	HRA	28 Mar 2012	3.50%	£8,000,000	28 Mar 2059
500849	HRA	28 Mar 2012	3.49%	£5,000,000	28 Mar 2060
500851	HRA	28 Mar 2012	3.49%	£8,000,000	28 Mar 2060
500848	HRA	28 Mar 2012	3.49%	£5,000,000	28 Mar 2061
500841	HRA	28 Mar 2012	3.49%	£8,000,000	28 Mar 2061
500836	HRA	28 Mar 2012	3.48%	£8,000,000	28 Mar 2062
500842	HRA	28 Mar 2012	3.48%	£11,157,000	28 Mar 2062
113015	GF	16 Sep 2019	1.84%	£12,000,000	28 Aug 2059
385189	GF	05 Aug 2021	1.10%	£15,000,000	04 Feb 2027
385191	GF	05 Aug 2021	1.06%	£15,000,000	04 Aug 2026
385193	GF	05 Aug 2021	1.03%	£10,000,000	04 Jan 2026
499722	GF	31 Mar 2022	2.20%	£5,000,000	31 Jul 2025
619284	GF	27 Apr 2023	4.61%	£1,000,000	26 Apr 2028
699531	HRA	07 Feb 2024	4.14%	£5,000,000	06 Feb 2030
703475	HRA	20 Feb 2024	4.37%	£4,000,000	19 Feb 2031
709818	HRA	08 Mar 2024	4.44%	£5,000,000	09 Mar 2029
710411	HRA	12 Mar 2024	4.39%	£7,000,000	04 Sep 2031
711880	HRA	15 Mar 2024	4.29%	£7,000,000	01 Jun 2032
712643	HRA	19 Mar 2024	4.33%	£6,000,000	27 Mar 2028
732228	HRA	31 May 2024	4.56%	£5,000,000	29 Apr 2033
737655	HRA	21 Jun 2024	4.48%	£5,000,000	01 Jun 2034
789714	GF	10 Jan 2025	5.80%	£2,193,738	09 Jan 2065
804887	HRA	04 Mar 2025	4.53%	£4,000,000	31 Aug 2029
804889	HRA	04 Mar 2025	4.60%	£5,000,000	31 May 2030
<b>Total PWLB loans at 31<sup>st</sup> March 2025</b>				<b>£249,350,738</b>	

3.2. The summary of the loans above by purpose is:

**Table 10**

<b>Purpose</b>	<b>£'000</b>
HRA	189,157.0
General Fund	12,000.0
Housing Joint Venture	45,000.0
Milverton Homes	3,193.7
Total	249,350.7

- 3.3. The £136.157 million HRA loans taken in 2012, as part of housing subsidy arrangements, begin to mature from 2053. HRA loans that have been taken for capital expenditure since February 2024 – and replacing internal borrowing – would, ideally, have been taken for 40 years, but due to the yield curve mentioned earlier and the expectation that PWLB rates will come down from their current levels, shorter periods of up to 10 years have been taken to reduce the servicing costs, on the assumption that they can be re-financed at their maturity at lower levels than available when initially borrowed.
- 3.4. As outlined in paragraph 2.12 above, loans for the HRA are currently available at interest rates that are 0.4% (40bp) lower than available to the General Fund. HM Treasury introduced the new HRA rate for PWLB lending in June 2023, solely for the use in the HRA and intended primarily for new housing delivery. The Autumn Budget 2024 confirmed that the availability of this rate has now been extended to March 2026. The forthcoming Autumn Budget may make an announcement on this rate after that date.
- 3.5. Five loans totally £60 million was borrowed from the PWLB in 2021/22 and loaned on a 'back-to-back' basis to Crewe Lane LLP, the Housing Joint Venture (JV) between Vistry Linden Ltd and Milverton Homes Ltd., to facilitate the development of 620 dwellings in Kenilworth, of which 248 will be purchased by the Council's HRA. The length of the loans vary between 1.5 and 5.5 years to maturity and carry an interest margin to reflect the risk to the Council. The balance on 31<sup>st</sup> March 2025 was £45.000 million.
- 3.6. To date £3.194m has been borrowed on behalf of the fully Council-owned Milverton Homes Limited (MHL), with a total of approximately £21 million eventually being required to finance the purchase of new properties. These have also been taken as 'back-to-back' loans to date, the first of £1m for 5 years and the second for 40-years, both on maturity terms, with interest paid annually. These are secured against the properties being purchased by MHL.
- 3.7. The average weighted rate of interest on these loans is 3.22%, and the average maturity length is 21.4 years. The average rate for new borrowing taken in 2024/25 was 4.67% compared with a budgeted 5.10%.
- 3.8. **Rescheduling** - No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling economically unviable.
- 3.9. **Repayments** - On 4 Feb 2025 the Authority repaid a maturing 3.5-year £10.0 million Housing Joint Venture related loan, with a rate of 0.96%. There were no breakage costs, and it was financed by a loan repayment from the Joint Venture.

- 3.10. **Summary of debt transactions** – The £249.351m debt portfolio had an average interest rate of 3.22%, which includes having taken advantage of historically low PWLB rates for the Joint Venture debt taken during 2021/22. The HRA loans relating to the Self-Financing borrowing incurred in 2011/12 have a 3.50% average rate. The debt incurred £7.547m interest in cash terms during the year, of which £6.633m was charged to the HRA and £0.914m to the General Fund.
- 3.11. **Borrowing in advance of need** - The Council has not borrowed more than, or in advance of its needs, purely to profit from the investment of the extra sums borrowed.

#### 4. Investment Outturn

- 4.1. **Investment Policy** – the Council’s investment policy is governed by DLUHC investment guidance, which has been implemented in the annual investment strategy approved by the Council on 20<sup>th</sup> March 2024, following Cabinet on 6<sup>th</sup> March 2024. This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices, etc.).
- 4.2. The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.
- 4.3. **Resources** – the Council’s cash balances comprise revenue and capital resources and cash flow monies. The Council’s core cash resources comprised as below, showing a reduction of £5.113 million (6.9%):

**Table 11**

<b>Balance Sheet Resources</b>	<b>31/3/24 £'000</b>	<b>31/3/25 £'000</b>	<b>Movement £'000</b>
Balances (GF and HRA)	6,712	3,517	-3,195
Earmarked reserves	58,222	55,918	-2,304
External Capital Grants / Contributions Unapplied	761	978	217
Provisions	-4,779	-4,296	483
Capital Receipts Reserve	13,077	12,763	-314
<b>Total</b>	<b>73,993</b>	<b>68,880</b>	<b>-5,113</b>

#### 4.4. Investments held by the Council

- The Council maintained an average balance of £41.165m of internally managed funds.
- The internally managed funds earned an average rate of return of 5.08%. Further details are available in 'Treasury Management Activity Report for period 1 Oct 2024 to 31 March 2025', presented to Audit & Standards Committee on 25<sup>th</sup> September 2025.
- The comparable performance indicator is the SONIA rate, which was 4.7857%.
- This compares with a budget assumption of £63.9m investment balances earning an average rate of 4.91%.

- Investment income interest was £2.091m, compared to a latest budget of £3.135m. This was more than offset by lower borrowing costs.
- During 2024/25 the Council made investments of £257.875m and had repayments of £263.606m, a net reduction of £5.731m, after interest accruals of £1.666m. The reduction is indicative of using investments as much as possible to defer new PWLB borrowing while interest rates remain higher than the medium-term trend.

#### 4.5. **Investments held by fund managers**

4.5.1 The Council no longer uses external fund managers to invest part of its cash balances. Given the amount of planned borrowing required to support the capital programme, it is not expected that the Council will be looking to invest in equity funds in the medium term.

### 5. **Other Issues**

5.1. **Non-treasury management investments.** These include long-term debtors, where the borrower repays interest in addition to the principal lent to them. All interest rates are above 'soft loan' rates (defined as preferential terms below normal 'market' rates). During 2024/25 the Council made new long-term loans for capital purposes of £159,000. Details of these loans and the due diligence taken is outlined in the Statement of Accounts 2024/25; none have required impairment under the IFRS 9 ECL<sup>1</sup> model. The purpose of these loans is to stimulate economic development within the district, rather than a specific purpose of income generation, which is a secondary consideration with these loans.

5.2. The other category of non-treasury management investments are long-term shareholdings in companies that the Council either has a part share (Sherbourne Recycling Facility - £98.8k, just under 10%) or a full holding (Milverton Homes - £1.395m).

### 6. **Capital expenditure and financing**

6.1. 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 etc.), 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.

6.2. The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure of £61.972m and how this was financed, with a total of £33.184m being unfunded, i.e. subject to borrowing.

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<sup>1</sup> ECL = Expected Credit Loss

**Table 12**

<b>Capital expenditure</b>	<b>2023/24 Actual £'000</b>	<b>2024/25 Budget £'000</b>	<b>2024/25 Actual £'000</b>
General Fund	17,743	23,011	16,323
HRA	31,913	57,710	45,490
Non-financial investments (long-term loans to third parties)*	5,473	153	159
<b>Total (A)</b>	<b>55,129</b>	<b>80,875</b>	<b>61,972</b>

\* The Council has not made any 'commercial activities' where yield is the primary purpose. These loans are primarily for housing purposes.

**Table 13**

<b>Financing of capital expenditure</b>	<b>2023/24 Actual £'000</b>	<b>2024/25 Budget £'000</b>	<b>2024/25 Actual £'000</b>
Capital receipts	2,207	7,699	9,939
Capital grants and contributions	21,865	14,213	9,324
Reserves	11,715	13,915	9,278
Revenue contributions	236	80	247
<b>Subtotal (B)</b>	<b>36,023</b>	<b>35,907</b>	<b>28,788</b>
<b>Net borrowing need for the year (A - B)</b>	<b>19,106</b>	<b>44,967</b>	<b>33,184</b>

## 7. Treasury limits and prudential indicators

- 7.1. The Prudential Capital Finance system, introduced in 2004, is regulated by a few 'Prudential Indicators', several of which are relevant for treasury management purposes and are included in the Annual Strategy Report that is approved by Council before the commencement of each financial year. The table below shows the 2024/25 outturn against the budget and previous year's budget:

**Table 14**

<b>Prudential Indicators (1)</b>	<b>2023/24 Actual £'000</b>	<b>2024/25 Budget £'000</b>	<b>2024/25 Actual £'000</b>
<b>Authorised Limit for External Debt</b>			
Borrowing	295,526	496,413	496,413
Other Long term Liabilities	-	1,000	1,000
<b>Total</b>	<b>295,526</b>	<b>497,413</b>	<b>497,413</b>
<b>Operational Boundary for External Debt</b>			
Borrowing	273,526	474,413	474,413
Other Long term Liabilities	-	1,000	1,000
<b>Total</b>	<b>273,526</b>	<b>475,413</b>	<b>475,413</b>
<b>Actual External Debt at Year End</b>			
Long Term Borrowing	238,157	340,157	249,351
Long Term Liabilities	-	1,000	-
<b>Total</b>	<b>238,157</b>	<b>341,157</b>	<b>249,351</b>

- 7.2. Due to the delay in some capital expenditure and the deferral of existing borrowing requirements, actual external debt did not increase during the year and did not exceed either the Authorised Limit or the Operational Boundary.

**Table 15**

<b>Prudential Indicators (2)</b>	<b>2023/24 Actual £'000</b>	<b>2024/25 Budget £'000</b>	<b>2024/25 Actual £'000</b>
<b>Actual Capital Expenditure for Year</b>			
General Fund	23,216	23,164	16,482
Housing Revenue Account	31,913	57,710	45,490
<b>Overall</b>	<b>55,129</b>	<b>80,875</b>	<b>61,972</b>
<b>Capital Financing Requirement</b>			
General Fund	23,836	122,858	96,432
Housing Revenue Account	161,160	285,295	226,172
<b>Total CFR</b>	<b>184,996</b>	<b>408,153</b>	<b>322,604</b>
Gross borrowing position	238,157	341,157	249,351
Under (-) / over funding of CFR	53,161	-66,996	-73,253

- 7.3. The underfunding of £73.253m represents borrowing for capital expenditure already incurred that has not yet been taken, relying on 'internal borrowing' while external borrowing is below the level of the CFR.

**Table 16**

<b>Prudential Indicators (3)</b>	<b>2023/24 Actual %</b>	<b>2024/25 Budget %</b>	<b>2024/25 Actual %</b>
<b>Financing Costs as a % of Net Revenue Stream</b>			
General Fund	-0.31%	-23.38%	-8.26%
Housing Revenue Account	39.01%	52.79%	40.81%
<b>Overall</b>	<b>17.53%</b>	<b>28.82%</b>	<b>18.90%</b>

- 7.4. The General Fund borrowed £3.194m for Milverton Homes during the year but most of the new borrowing (£53.0m) was for the HRA, albeit at lower amounts than forecast, as cashflows enabled internal borrowing to defer some PWLB activity, while other capital expenditure was delayed, resulting in a lower CFR than forecast.
- 7.5. The indicators were complied with, borrowing being less than the Authorised Limit and Operational Boundary. The total external PWLB borrowing outstanding at the year-end was £249.351m, comprising £136.157m in respect of the 2012 HRA Self Financing, £53.0m for other HRA capital expenditure, £12.0m General Fund debt for expenditure on leisure centres, a balance of £45.0m for the housing JV and £3.194m for Milverton Homes. This debt is all fixed rate, maturing as shown in paragraph 3.1 above, and within indicators shown above.
- 7.6. The financing costs in Table 16 show that for the General Fund these represent an income stream due to housing venture, while for the HRA these costs are around half of the income stream.

7.7. Below are the indicators relating to borrowing:

**Upper limit to fixed interest rate and variable interest rate exposures**

**Table 17**

Exposure limits	Strategy Report	Actual
Upper Limit Fixed Rate	100%	100%
Upper Limit Variable Rate	30%	30%

**Upper and lower limits respectively for the maturity structure of borrowing**

**Table 18**

Strategy 2024/25	Fixed		Variable	
Period	Upper	Lower	Upper	Lower
Under 12 months	20%	0%	100%	0%
12 months and within 24 months	20%	0%	100%	0%
24 months and within 5 years	20%	0%	100%	0%
5 years and within 10 years	20%	0%	100%	0%
10 years and above	100%	0%	n/a	n/a

7.8. The final indicator monitors the amount invested for periods longer than 365 days, set in 2024/25 at 70% of the investment portfolio, subject to a maximum of £30 million at any one time. During 2024/25 the Council made no investments for 365 days or over, assuring compliance with the indicator.

**8. Annual investment strategy and investment performance**

8.1. The Government guidance on local government investments requires the production of an Annual Investment Strategy that includes an outline of the investment vehicles that the Council would use and separates them off into Specified and Non-Specified investments. The 2024/25 Annual Investment Strategy was approved in March 2024, as part of the 2024/25 Annual Treasury Management Strategy report.

8.2. The in-house function has invested the Council’s cash funds in fixed term money market deposits, equity funds and Money Market Funds. No Corporate Bonds, Certificates of Deposit (CD’s) or equity funds were used during 2024/25. The table below illustrates the performance for the year of the in-house function for each category invested in, the Benchmark utilising the SONIA rate. The returns outperformed the benchmark during the year.

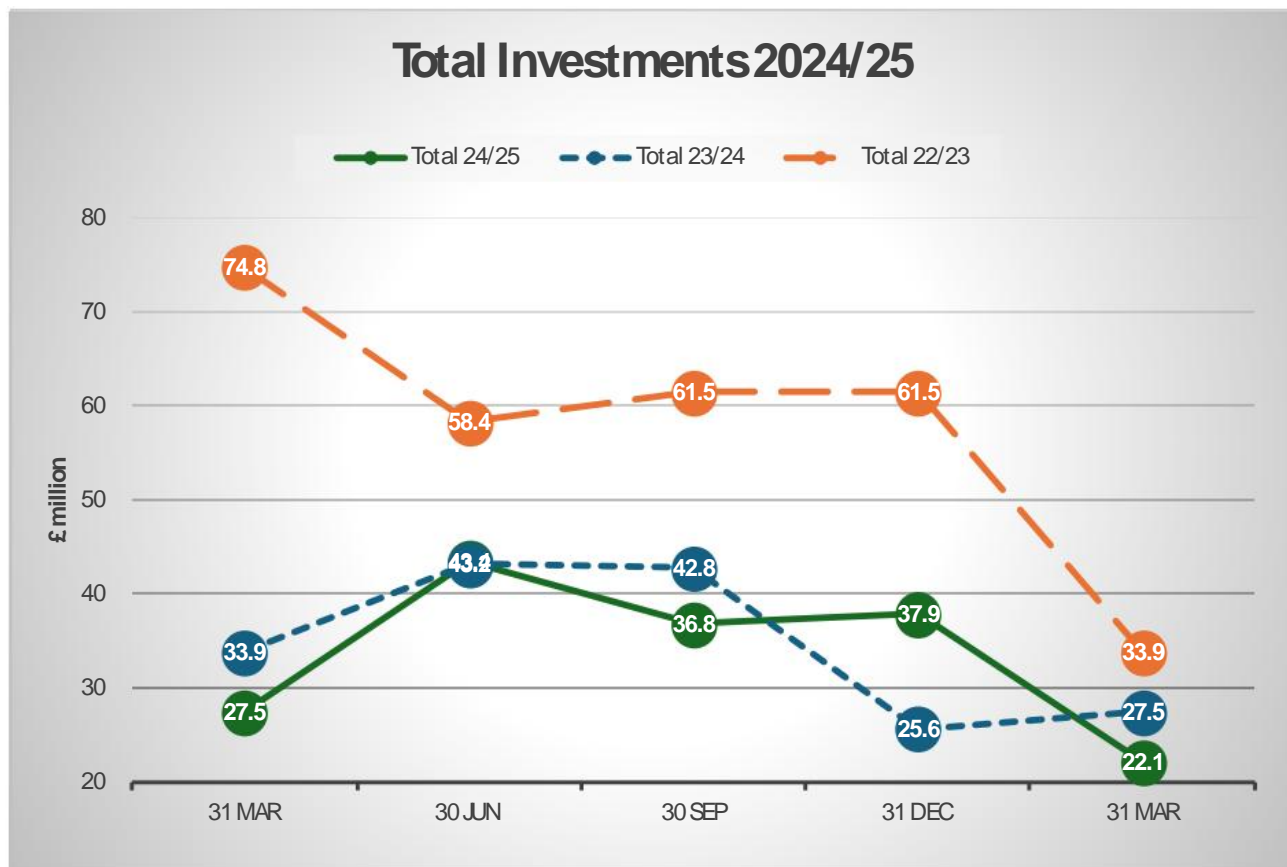
**Table 18**

Vehicle	Return (annualised) £'000	Benchmark (annualised) £'000	Performance £'000
Money Markets	194.9	170.1	24.9
Money Market Funds	616.7	605.4	11.2
Call Accounts	12.4	12.2	0.2
<b>Total</b>	<b>824.0</b>	<b>787.7</b>	<b>36.3</b>

8.3. For a more detail breakdown please refer to the second half year Treasury Management report, presented to the Audit & Standards Committee meeting on 25<sup>th</sup> September 2025.

8.4. The graph below shows how the total of the Council’s investments varies through the year according to its cash flows, comparing 2024/25 (green solid line) with the previous two years (2023/24 blue short dashes, 2022/23 orange long dashes,). It shows that during the first half of the financial year (April to September) the Council’s investments were below the previous two years but then rose above the previous December before ending the financial year at £22.1 million, just above the minimum target of £20 million.

**Table 19**



8.5. This graph emphasises the decline in far average investments since 2022/23 from a peak of £74.8 million, and why it has become necessary to commence PWLB borrowing to support capital expenditure (mainly for the HRA while a lower rate is available to the HRA), with ‘internal borrowing’ no longer being a viable option.

**9. Performance measurement**

9.1. In addition to the in-house local benchmarks referred to in this document the Council participates in the MUFG Investment Benchmarking Club. This benchmarks the investment returns and, also, the maturity and credit risk inherent in the portfolio. The Council is part of a local group which consists of district and county councils and this Council’s performance over the past year is reflected in the tables below:

**Table 20 - Weighted Average Rate of Return (WARoR)**

9.2. Table 20- shows that the Council’s average return was above MUFG model portfolio rate of return and above the local group, based on the risk in its portfolio.

	<b>WDC- WARoR %</b>	<b>Local Group WARoR %</b>	<b>MUFG Model WARoR %</b>	<b>Performance against MUFG Model Band</b>
June Quarter	5.22	5.20	5.18	Inline
September Quarter	5.10	4.99	5.00	Above
December Quarter	4.92	4.86	4.79	Above
March Quarter	4.96	4.80	4.72	Above
<b>Average for Year</b>	<b>5.05</b>	<b>4.96</b>	<b>4.92</b>	

- 9.3. There was a slightly higher average credit risk taken in this Council’s portfolio, as shown below, which helped towards the performance in Table A.

**Table 21 - Weighted Average Credit Risk**

	<b>WDC</b>	<b>Local Group</b>
June Quarter	2.13	2.03
September Quarter	2.35	1.93
December Quarter	1.81	1.76
March Quarter	2.38	1.74
<b>Average for Year</b>	<b>2.17</b>	<b>1.87</b>

- 9.4. This benchmark measures the average credit risk in the portfolio according to the institutions invested in and corresponds to the duration limits in MUFG’s suggested credit methodology using a sliding scale of 1 to 7 where 1 indicates the least risk of default.

**10. External treasury management advisers**

- 10.1. MUFG (formerly the Link Group) continues to provide our Treasury Management Advisory service.

**Glossary of Treasury Management related terms**

**LAS:** Link Asset Services, Treasury Solutions – the Council’s treasury management advisers.

**CE:** Capital Economics - is the economics consultancy that provides Link Asset Services, Treasury solutions, with independent economic forecasts, briefings and research.

**CFR:** Capital Financing Requirement - the Council’s annual underlying borrowing need to finance capital expenditure and a measure of the Council’s total outstanding indebtedness.

**CIPFA:** Chartered Institute of Public Finance and Accountancy – the professional accounting body that oversees and sets standards in local authority finance and treasury management.

**CNAV:** Constant Net Asset Value refers to funds that 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 (or currency equivalent) unless mark-to-market pricing of underlying assets moves outside of stipulated boundaries, and calculate their price to 2 decimal places, known as 'penny rounding'. Typical examples of such funds are government Money Market Funds.

**COVID-19:** a highly infectious respiratory disease caused by a new coronavirus. The disease was discovered in China in December 2019 and then spread around the world to become a pandemic, causing an unprecedented public health crisis and major economic impacts.

**CPI:** Consumer Price Index – the official measure of inflation adopted as a common standard by countries in the EU. It is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them.

**ECB:** European Central Bank - the central bank for the Eurozone

**EU:** European Union

**EZ:** Eurozone -those countries in the EU which use the euro as their currency

**Fed:** The Federal Reserve System, often referred to simply as "the Fed," is the central bank of the United States. It was created by the Congress to provide the nation with a stable monetary and financial system.

**Financial Instruments Revaluation Reserve:** IFRS 9 'Financial Instruments – earmarking of gains not available to fund services' specifies that balances in the General Fund (or HRA balance) relating to unrealised, or volatile, gains from financial instruments classified as 'fair value through profit or loss' should be earmarked and not regarded as available to fund services. The Financial Instruments Revaluation Reserve (FIRR) holds the cumulative value of such gains or losses.

**FOMC:** The Federal Open Market Committee – this is the branch of the Federal Reserve Board which determines monetary policy in the USA by setting interest rates and determining quantitative easing policy. It is composed of 12 members--the seven members of the Board of Governors and five of the 12 Reserve Bank presidents.

**FTSE:** The Financial Times Stock Exchange, now known as FTSE Russell Group, is a British financial organization that specializes in providing index offerings for the global financial markets Informally known as the "Footsie".

**GDP:** Gross Domestic Product – a measure of the growth and total size of the economy.

**G7:** The group of seven countries that form an informal bloc of industrialised democracies - United States, Canada, France, Germany, Italy, Japan, and United Kingdom - that meets annually to discuss issues such as global economic governance, international security, and energy policy.

**Gilts:** Gilts are bonds issued by the UK Government to borrow money on the financial markets. Interest paid by the Government on gilts is called a coupon and is at a rate that is fixed for the duration until maturity of the gilt, (unless a gilt is index linked to inflation); while the coupon rate is fixed, the yields will change inversely to the price of gilts i.e. a rise in the price of a gilt will mean that its yield will fall.

**HRA:** Housing Revenue Account.

**IFRS:** International Financial Reporting Standard.

**IMF:** International Monetary Fund - the lender of last resort for national governments which get into financial difficulties.

**LIBID:** The London Inter Bank Bid Rate is the rate bid by banks on deposits i.e., the rate at which a bank is willing to borrow from other banks. It is the "other end" of the **LIBOR** (an offered, hence "ask" rate, the rate at which a bank will lend).

**LIBOR:** The London Inter Bank Offered Rate is the interest rate at which banks offer to lend funds (wholesale money) to one another in the international interbank market. It is a key benchmark rate that reflects how much it costs banks to borrow from each other but in the UK it was replaced by SONIA during 2021/22. Outside the London market this was referred to as IBOR.

**LVNAV:** Low Volatility Net Asset Value (LVNAV) Money Market Funds are short-term MMFs. Funds are primarily invested in money market instruments, deposits and other short-term assets. Units in the fund are purchased or redeemed at a constant price so long as the value of the underlying assets do not deviate by more than 0.2% (20bps) from par (i.e. 1.00).

**MHCLG:** The Ministry of Housing, Communities and Local Government -the Government department that directs local authorities in England.

**MPC:** The Monetary Policy Committee is a committee of the Bank of England, which meets for one and a half days, eight times a year, to determine monetary policy by setting the official interest rate in the United Kingdom, (the Bank of England Base Rate, commonly called Bank Rate), and by making decisions on quantitative easing.

**MRP:** Minimum Revenue Provision -a statutory annual minimum revenue charge to reduce the total outstanding CFR, (the total indebtedness of a local authority).

**PWLB:** Public Works Loan Board – this is the part of H.M. Treasury which provides loans to local authorities to finance capital expenditure.

**QE:** Quantitative Easing – is an unconventional form of monetary policy where a central bank creates new money electronically to buy financial assets, such as government bonds, (but may also include corporate bonds). This process aims to stimulate economic growth through increased private sector spending in the economy and also aims to return inflation to target. These purchases increase the supply of liquidity to the economy; this policy is employed when lowering interest rates has failed to stimulate economic growth to an acceptable level and to lift inflation to target. Once QE has achieved its objectives of stimulating growth and inflation, QE will be reversed by selling the bonds the central bank had previously purchased, or by not replacing debt that it held which matures. The aim of this reversal is to ensure that inflation does not exceed its target once the economy recovers from a sustained

period of depressed growth and inflation. Economic growth, and increases in inflation, may threaten to gather too much momentum if action is not taken to 'cool' the economy.

**RPI:** The Retail Price Index is a measure of inflation that measures the change in the cost of a representative sample of retail goods and services. It was the UK standard for measurement of inflation until the UK changed to using the EU standard measure of inflation – CPI. The main differences between RPI and CPI is in the way that housing costs are treated and that the former is an arithmetical mean whereas the latter is a geometric mean. RPI is often higher than CPI for these reasons.

**SONIA:** Sterling Over Night Index Average is the effective reference for overnight indexed swaps for unsecured transactions in the Sterling market. The SONIA itself is a risk-free rate. Unlike LIBOR it is backward looking measure.

**TMSS:** The annual treasury management strategy statement reports that all local authorities are required to submit for approval by the full Council before the start of each financial year.

**VNAV:** While CNAV and LVNAV funds use amortised cost accounting to value most or all of their assets, Variable Net Asset Value (VNAV) funds use mark-to-market pricing, meaning the unit price will change in light of changes to mark-to-market valuation of underlying assets, and dealing prices for VNAV funds are rounded to four decimal places. All funds except select types of Money Market Funds are priced on this basis.

**VRP:** A Voluntary Revenue Provision to repay debt, in the annual budget, which is additional to the annual MRP charge (see above definition).