

REPORT TITLE: Annual Treasury Management (Outturn) Report 2024/25

To:

Cabinet

25 September 2025

Lead Cabinet Member: Cllr Simon Smith, Cabinet Member for Finance and Resources

Report by:

Francesca Griffiths, Chief Accountant

Tel: 01223 458126 Email: francesca.griffiths@cambridge.gov.uk

Wards affected:

All

Director Approval: Jody Etherington, Chief Finance Officer, confirms that the report author has sought the advice of all appropriate colleagues and given due regard to that advice; that the equalities impacts and other implications of the recommended decisions have been assessed and accurately presented in the report; and that they are content for the report to be put to the Cabinet for decision.

1. Recommendations

1.1 It is recommended that Cabinet:

- recommend this report to Full Council, which includes the council's actual Prudential and Treasury Indicators for 2024/25.

2. Purpose and reason for the report

2.1 The council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury report reviewing treasury management activities and the actual prudential and treasury indicators for each financial year.

This report meets the requirements of both the CIPFA Treasury Management in the Public Services: Code of Practice 2021 (the 'Code') and the CIPFA Prudential Code for Capital Finance in Local Authorities 2021 (the 'Prudential Code') in respect of 2024/25.

The Code specifies the following reports in respect of treasury management for the

2024/25 financial year:-

- an annual strategy in advance of the year;
- a mid-year treasury update report; and
- an annual review following the end of the year describing the activity compared to the strategy (this report).

Under the revised Constitution approved by Full Council on 22 May 2025, this annual report is presented to Cabinet for recommendation to Council.

3. Alternative options considered

- 3.1 The Cabinet could choose not to recommend this report to Full Council, however failing to present a treasury management outturn report to Full Council would represent a breach of statutory guidance to which the council is required to have regard.

4. Background and key issues

4.1 Background

This report summarises:

- capital expenditure and financing activity during the year;
- the impact of capital spending on the council's 'need to borrow';
- the council's compliance with prudential and treasury indicators;
- the treasury management position as at 31 March 2025 (Appendix A);
- the council's treasury management advisors' view on UK interest and investment rates (Appendix B);
- the actual prudential and treasury indicators (Appendix C);
- the counterparty List (Appendix D); and
- a glossary of terms and abbreviations (Appendix E).

4.2 Highlights and key messages

- Total capital expenditure in 2024/25 was £115.068 million, which was less than the budgeted £220.192 million, largely as a result of slippage on projects.
- Financing sources were:

- Capital receipts: £16.049 million
- Other contributions: £45.127 million
- External borrowing (Park Street): £30.000 million
- Internal borrowing/cash balances: £23.892 million
- Total external debt as of 31 March 2025 was £243.379 million, giving headroom of £306.621 million against the authorised borrowing limit.
- Deposit balances decreased to £46.588 million due to the use of cash balances to fund capital expenditure (internal borrowing).
- Average rate of return on deposits was 4.81% (up from 4.48% in 2023/24)
- Total interest/dividends earned were £4.705 million, exceeding budget by £1.157 million, driven by high interest rates and cash balances.
- The council complied with all Prudential Indicators during the year.

5. Capital Expenditure and Financing 2024/25

5.1 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, developer contributions, revenue contributions, reserves 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 other resources, the funding of capital expenditure will give rise to a borrowing need.

5.2 Capital Expenditure

Actual capital expenditure forms one of the required prudential indicators. The table below shows actual capital expenditure and how this was financed.

	2023/24 £'000 Actual	2024/25 £'000 Budget ¹	2024/25 £'000 Actual
General Fund capital expenditure	36,374	112,444	57,890
HRA capital expenditure	71,043	107,748	57,178
Total capital expenditure	107,417	220,192	115,068

Resourced by:			
• Capital receipts	(16,016)	(19,446)	(16,049)
• Other contributions	(65,340)	(57,866)	(45,127)
Total available resources for financing capital expenditure	(81,356)	(77,312)	(61,176)
Financed from cash balances and borrowing	26,061	142,880	53,892

¹. As per Treasury Management Strategy report (TMSS) to full Council approved on 15 February 2024, adjusted to reflect changes approved in year.

6. Overall borrowing need and Minimum Revenue Provision (MRP) Statement

6.1 Minimum revenue provision (MRP)

MRP is the revenue charge that the council is required to make for the repayment of debt, as measured by the underlying need to borrow, rather than actual debt. The underlying debt is needed to finance capital expenditure which has not been fully financed by revenue or capital resources. As capital expenditure is generally expenditure on assets which have a life expectancy of over one year it is prudent to charge an amount for the repayment of debt over the life of the asset or some similar proxy figure.

6.2 The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 require local authorities to calculate for the financial year an amount of MRP which is considered to be 'prudent'.

The Council's MRP policy for 2024/25 was set out in the Annual Treasury Management Strategy agreed by Council on 15 February 2024. In accordance with this policy, the minimum revenue provision charged to the General Fund in 2024/25 was £326,000.

6.3 Local authorities are also permitted to make additional voluntary revenue provision charges in order to accelerate the financing of underlying debt and reduce annual MRP charges in the future.

No voluntary revenue provision charges were made during 2024/25. As at 31 March 2025, the cumulative total of voluntary revenue provision charges made in previous

years was £9,545,000.

6.4 **Borrowing during 2024/25**

During 2024/25, the council used external borrowing to finance capital expenditure on the Park Street hotel and car park development. This was pre-arranged at the start of the project. During the year, £30 million of external borrowing was drawn down for this purpose, with a further £55 million pre-arranged to be drawn down in 2025/26. The remaining financing of capital expenditure from cash balances of £23.892 million shown in the above table was met using internal borrowing. This includes amounts lent to the Cambridge Investment Partnership LLP, which will be repaid when the relevant housing schemes are completed, and amounts relating to HRA capital expenditure.

6.5 **External Debt as at 31 March 2025**

The table below shows the Council's outstanding debt and headroom (the amount of additional borrowing that is possible without breaching the Authorised Borrowing Limit) as at 31 March 2025:

	Principal (£'000)
Authorised Borrowing Limit – agreed by Council on 15 February 2024	550,000
PWLB Borrowing (for HRA Self-Financing)	213,572
Other external borrowing	29,807
Total current headroom	306,621

As at 31 March 2025, the debt held by the council related to twenty loans from the PWLB for self-financing the HRA, and a pre-arranged annuity loan from a financial institution in order to finance the development of the Park Street hotel and car park.

7. **Treasury Position as at 31 March 2025**

- 7.1 The Council's debt and deposit position is managed in order to ensure adequate liquidity for revenue and capital activities, security for deposits, and to manage risk in relation to all treasury management activities. Procedures and controls to achieve these objectives are well established both through the application of approved Treasury

Management Practices and regular reporting to Members.

- 7.2 The table below provides a comparison of deposit activity and outturn for 2024/25 against 2023/24:

Deposit Type	2024/25		2023/24	
	Average Deposits (£m)	Average Rate of Return	Average Deposits (£m)	Average Rate of Return
Fixed Rate Deposits	31.32	5.23%	77.85	4.86%
Call/Overnight Accounts	15.92	4.46%	11.82	4.56%
Money Market Funds	29.56	5.01%	31.09	4.98%
CCLA Local Authorities' Property Fund and Enhanced Cash Funds	24.29	4.58%	24.39	3.48%
Bond	2.80	2.20%	4.37	2.27%
Overall Deposit Return	103.89	4.81%	149.52	4.48%

A summary of deposits is shown at Appendix A.

- 7.3 Total interest on treasury investments and dividends from managed funds of £4.705 million have been earned on the council's deposits during 2024/25 at an average rate of return of 4.81% (4.48% in 2023/24). (Note that the interest earned does not exactly equal the average rate of return multiplied by the average invested balance, as the rates of return above also take into account fair value movements on the principal invested where applicable – these movements are reversed out of the General Fund under statutory requirements). This has resulted in an overall over-achievement on the budget of £1.157million. This was substantially driven by continuing high interest rates and higher cash balances being held on deposit than assumed at the time the budget was set.

8. Interest Rate Update

- 8.1 In support of effective forecasting the council needs to be aware of the potential influence of market interest and investment rates. The council is provided with regular commentary on current market conditions by its treasury advisors (MUFG), and the commentary as at 31 March 2025 including trends observed in 2024/25 is presented at Appendix B.
- 8.2 The Bank of England's Monetary Policy Committee cut the base rate by 0.25% to 4% in August 2025. In the light of this decision, our treasury advisors updated their forecast for future interest rates and this forecast is included in Appendix B.

MUFG have revised their previous forecast for a November rate cut, instead pushing that back to February 2026, on the basis that CPI inflation should have peaked by then and will be on a slow downwards trajectory back to 2% by 2027. Further gradual reductions in Bank Rate to 3.25% are then anticipated, with the important proviso that this is only if inflation and employment data are supportive of such cuts.

9. Prudential and Treasury Indicators

- 9.1 During the financial year the council operated within the 'authorised' and 'operational' borrowing limits contained within the Prudential Indicators set out in the council's Treasury Management Strategy Statement. The outturn for Prudential and Treasury Indicators is shown in Appendix C.
- 9.2 MUFG continues to revise its recommendations on counterparties and appropriate durations. The Council follows MUFG's recommendations as reflected in the current Counterparty List at Appendix D. Note that the limit for lending to Cambridge Investment Partnership LLP (CIP) has been increased to £65 million in order to accommodate proposed loans in respect of approved developments at ATS/Murketts, Newbury Farm and Fanshawe Road, subject to separate approval of an associated capital budget by Full Council.

10. Corporate plan

- 10.1 Effective management of the Council's cashflows, investments and borrowing supports all aspects of the Council's Corporate Plan. Interest received from investments and interest paid on debt are important factors when considering how best to deliver on the priorities set out in the Plan.

[Corporate plan 2022-27: our priorities for Cambridge - Cambridge City Council](#)

11. Consultation, engagement and communication

- 11.1 None required.

12. Anticipated outcomes, benefits or impact

- 12.1 Regular monitoring of performance against Prudential and Treasury Indicators enables timely action to be taken to address any issues highlighted.
- 12.2 Reporting of financial information to Cabinet leads to greater transparency of decision making.

13. Implications

Relevant risks

- 13.1 Prudent management of the Council's cash balances reduces the risk of financial loss.

Financial Implications

- 13.2 Interest payable and receivable are reflected in the Council's existing budgets and reviewed appropriately.

Legal Implications

13.3 None

Equalities and socio-economic Implications

13.4 None

Net Zero Carbon, Climate Change and Environmental implications

13.5 The council recognises that there is continuing debate about how best to capture information about the environmental, social and governance (often known as 'ESG') implications of investing decisions taken by the Council.

The council continues to work with MUFG to understand developments within financial markets which offer the opportunity to have regard for ESG criteria when placing investments. The relevant CIPFA guidance asserts the primacy of 'security, liquidity and yield' considerations when managing the treasury portfolio and the council is required to adhere to that guidance.

Where the council invests for the longer term, there are opportunities to invest in products or counterparties which align with council objectives. Currently, this is reflected in the substantial fixed-term deposits with other local authorities and investments in the CCLA Local Authority Property Fund. The CCLA Property Fund provides investors with regular updates about its work to reduce the carbon footprint of its property portfolio and increase the EPC rating of individual properties it owns.

Procurement Implications

13.6 None

Community Safety Implications

13.7 None

14. Appendices

14.1 Appendix A – Treasury Management position as at 31 March 2025

Appendix B – MUFG's opinion on UK interest and investment rates

Appendix C – Prudential and Treasury Management indicators

Appendix D – Current Counterparty List

Appendix E – Glossary of Terms and Abbreviations

To inspect the background papers or if you have a query on the report please contact

Author's Name:	Francesca Griffiths
Author's Tel. No.	01223 458126
Author's Email:	francesca.griffiths@cambridge.gov.uk

Appendix A

TREASURY MANAGEMENT POSITION AS AT 31 MARCH 2025

CURRENT DEPOSITS

The council's deposits as at 31 March 2025 are shown in the table below:

Counterparty	% Rate	Remaining Duration	Principal (£'000)
Fixed Term Deposits			
Great Yarmouth Borough Council	4.70	5 months	6,000
Blackpool Council	4.80	16 days	5,000
Northumberland County Council	4.85	2 days	5,000
Allia Ltd	2.20	21 months	2,800
Total Fixed Term Deposits			18,800
Counterparty	% Rate	Minimum Duration	Principal (£'000)
Variable Rate Notice Accounts			
Barclays Bank PLC	4.00	Same day	12,788
CCLA Local Authorities Property Fund	4.47	90 days	15,000
Total Variable Rate Notice Accounts			27,788
TOTAL			46,588

Appendix B

MUFG'S OPINION ON UK INTEREST AND INVESTMENT RATES AS AT 31 MARCH 2025

UK Economy

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

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

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

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

	UK	Eurozone	US
Bank Rate	4.50%	2.5%	4.25%-4.5%
GDP	0.1%q/q Q4 (1.1%y/y)	+0.1%q/q Q4 (0.7%y/y)	2.4% Q4 Annualised
Inflation	2.8%y/y (Feb)	2.3%y/y (Feb)	2.8%y/y (Feb)
Unemployment Rate	4.4% (Jan)	6.2% (Jan)	4.1% (Feb)

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

Having said that, the Bank still thinks inflation will rise from 2.8% in February to 3¾% in Q3. And while in February it said “inflation is expected to fall back thereafter to around the 2% target”, this time it just said it would “fall back thereafter”. That may be a sign that the Bank is getting a bit more worried about the “persistence in domestic wages and prices, including from second-round effects”. Accordingly, although we expect a series of rate cuts over the next year or so, that does not contradict the Bank taking “a gradual and careful” approach to cutting rates, but a tepid economy will probably reduce inflation further ahead and prompt the Bank to cut at regular intervals.

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

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

USA Economy

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

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

Eurozone Economy

The Eurozone economy has struggled throughout 2024 and is flat lining at present, although there is the promise of substantial expenditure on German defence/infrastructure over the coming years, which would see a fiscal loosening. France has struggled against a difficult political backdrop, but with a large budget deficit it is difficult to see any turn-around in economic hopes in the near-term. With GDP currently below 1% in the Eurozone, the ECB is likely to continue to cut rates, although the headline inflation rate is still above 2% (2.3% February 2025). Currently at 2.5%, a further reduction in the Deposit Rate to at least 2% is highly likely.

Updated Interest Rate Forecast following Base Rate Cut in August 2025

MUFG Corporate Markets Interest Rate View 11.08.25													
	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28
BANK RATE	4.00	4.00	3.75	3.75	3.50	3.50	3.50	3.50	3.25	3.25	3.25	3.25	3.25
3 month ave earnings	4.00	4.00	3.80	3.80	3.50	3.50	3.50	3.50	3.30	3.30	3.30	3.30	3.30
6 month ave earnings	4.00	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.30	3.30	3.40	3.40	3.40
12 month ave earnings	4.00	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.30	3.40	3.50	3.60	3.60
5 yr PWLB	4.80	4.70	4.50	4.40	4.30	4.30	4.30	4.20	4.20	4.20	4.20	4.10	4.10
10 yr PWLB	5.30	5.20	5.00	4.90	4.80	4.80	4.80	4.70	4.70	4.70	4.70	4.60	4.60
25 yr PWLB	6.10	5.90	5.70	5.70	5.50	5.50	5.50	5.40	5.40	5.30	5.30	5.30	5.20
50 yr PWLB	5.80	5.60	5.40	5.40	5.30	5.30	5.30	5.20	5.20	5.10	5.10	5.00	5.00

Appendix C

PRUDENTIAL AND TREASURY MANAGEMENT INDICATORS

	Actual 2023/24 £'000	Budget¹ 2024/25 £'000	Actual 2024/25 £'000
PRUDENTIAL INDICATORS			
Capital expenditure			
- General Fund	36,374	112,444	57,890
- HRA	71,043	107,748	57,178
Total	107,417	220,192	115,068
Capital Financing Requirement (CFR) as at 31 March			
- General Fund	70,806	147,014	109,084
- HRA	215,136	292,735	230,352
Total	285,942	439,749	339,436
Change in the CFR ²	15,993	153,807	53,494
Deposits at 31 March	90,191	82,706	46,588
External Gross Debt	213,572	322,778	243,379
Ratio of financing costs to net revenue stream			
-General Fund	(17.73%)	(2.97%)	(20.72%)
-HRA	10.09%	19.39%	11.49%
Net income from commercial and service investments to net revenue stream			
-General Fund	10,626	11,679	10,404
-HRA	494	413	631
% of net revenue stream			
-General Fund	42.67%	40.93%	41.98%
-HRA	0.96%	0.74%	1.11%

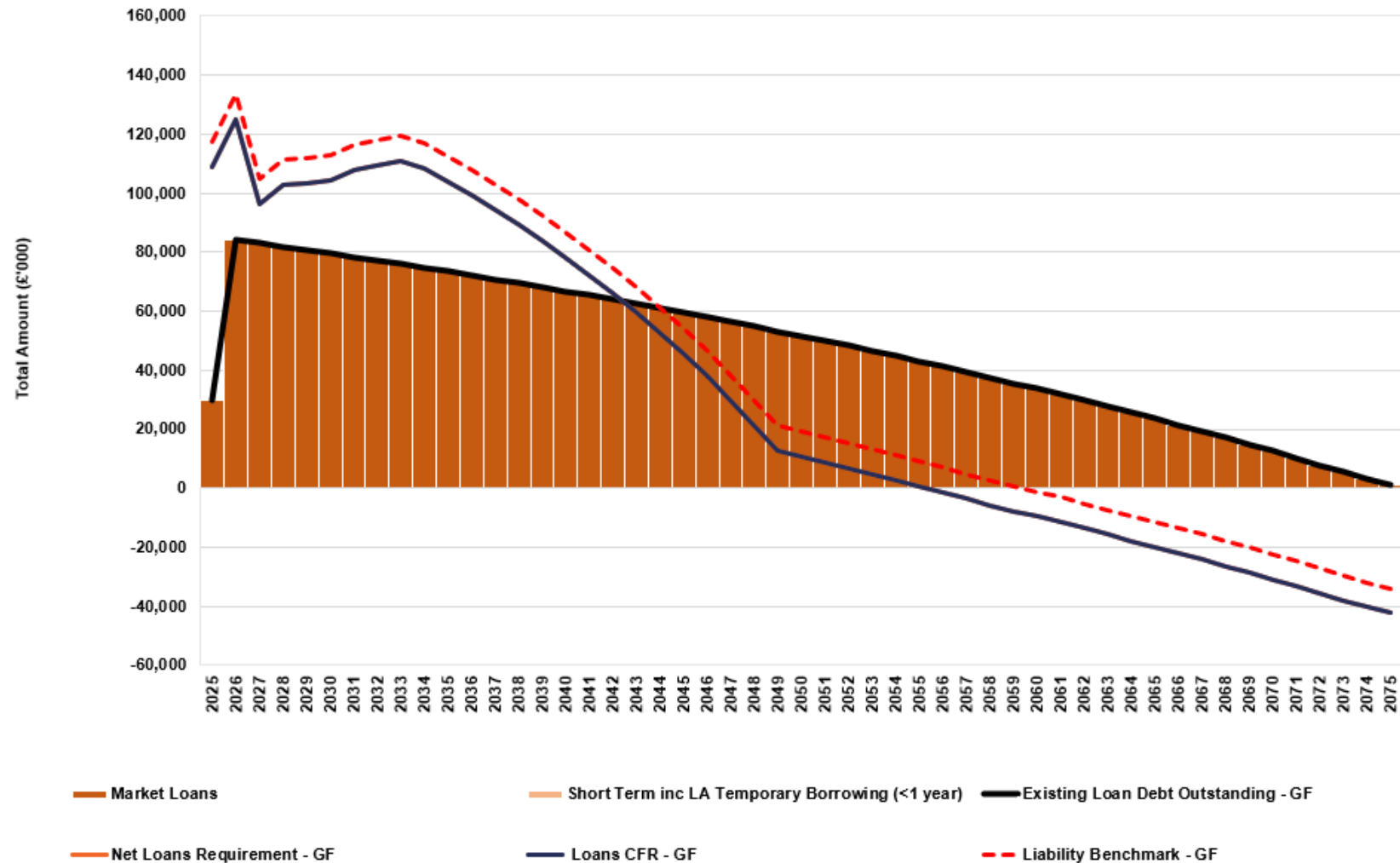
1. As per Treasury Management Strategy report (TMSS) to full Council approved on 15 February 2024, updated for changes to capital programme approved in year

2. After accounting for MRP charge and voluntary revenue provision

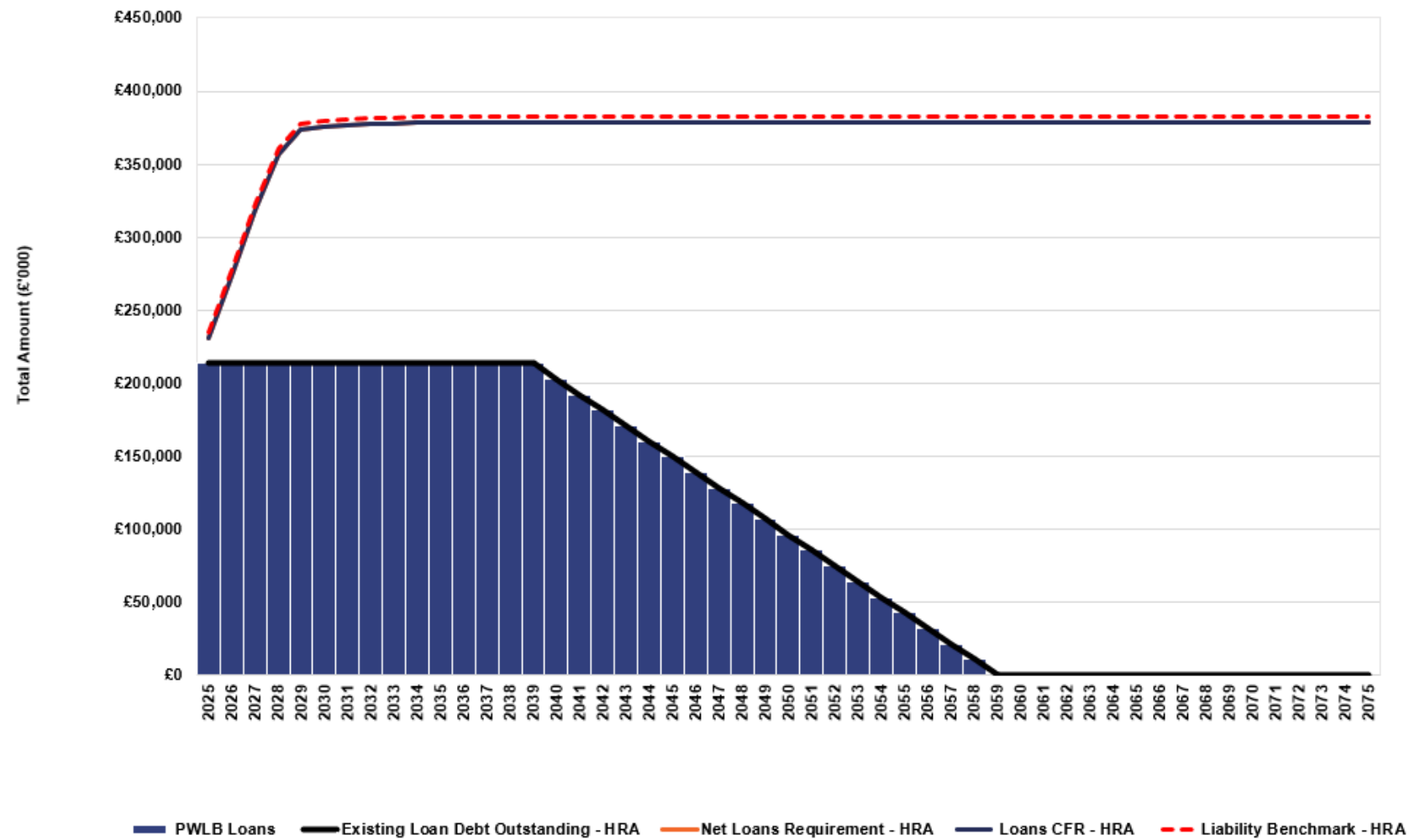
	Actual 2023/24 £'000	Budget¹ 2024/25 £'000	Actual 2024/25 £'000
TREASURY INDICATORS			
Authorised limit			
for borrowing	550,000	550,000	550,000
for other long term liabilities	2,000	2,000	2,000
Total	552,000	552,000	552,000
Operational boundary			
for external borrowing	332,461	451,249	434,867
for other long term liabilities	1,500	1,500	1,500
Total	333,961	452,749	436,367
Upper limit for total principal sums deposited for over 364 days & up to 5 years	50,000	30,000	30,000
Upper limit for fixed & variable interest rate exposure			
Net interest on fixed rate borrowing/deposits	3,600	9,613	5,716
Net interest on variable rate borrowing/deposits	(3,122)	(1,773)	(3,681)
Maturity structure of new fixed rate borrowing	Upper Limit	Lower Limit	
10 years and above (PWL borrowing for HRA Reform)	100%	0%	

¹ Per Annual Treasury Management Strategy Report agreed by Council on 15 February 2024. This is considered the appropriate point of reference since it reflects limits in place from the start of the financial year.

Liability Benchmark - General Fund



Liability Benchmark - HRA



Appendix D

Current Counterparty List

The full listing of approved counterparties is shown below, showing the category under which the counterparty has been approved, the appropriate deposit limit and current duration limits.

MUFG Group Colour	Council's Current Deposit Period	Category	Limit (£)
UK Banks and Building Societies: -			
Yellow	60 months	UK Banks and Building Societies	35m
Magenta	60 months	UK Banks and Building Societies	35m
Pink	60 months	UK Banks and Building Societies	35m
Purple	24 months	UK Banks and Building Societies	30m
Blue	12 months	UK Banks and Building Societies	30m
Orange	12 months	UK Banks and Building Societies	30m
Red	6 months	UK Banks and Building Societies	20m
Green	100 days	UK Banks and Building Societies	10m
No Colour	Not recommended	UK Banks and Building Societies	0m

Name	Council's Current Deposit Period	Category	Limit (£)
Specified Investments: -			
All UK Local Authorities	N/A	Local Authority	20m
All UK Passenger Transport Authorities	N/A	Passenger Transport Authority	20m

Name	Council's Current Deposit Period	Category	Limit (£)
All UK Police Authorities	N/A	Police Authority	20m
All UK Fire Authorities	N/A	Fire Authority	20m
Debt Management Account Deposit Facility	N/A	DMADF	Unlimited
Enhanced Cash Funds (Standard & Poor's: AAAf/S1, Fitch: AAA/S1)	Over 3 months and up to 1 year	Financial Instrument	10m (per single counterparty)
Enhanced Money Market Funds (not below AAf) - VNAV	Over 3 months and up to 1 year	Financial Instrument	5m (per fund)
Money Market Funds (AAf) – CNAV, VNAV & LVNAV	Liquid Rolling Balance	Financial Instrument	15m (per fund) With no maximum limit overall
UK Government Treasury Bills	Up to 6 months	Financial Instrument	15m
Members of a Banking Group	Using MUFG's Credit Criteria	UK Banks and UK Nationalised Banks	40m
Non-Specified Investments: -			
All UK Local Authorities – longer term limit	Over 1 year and up to 5 years	Local Authority	Up to 35m (in total)
Cambridge City Council Housing (CCHC) Working Capital Loan	Up to 1 year	Loan	200,000
Cherry Hinton Community Benefit Society	Up to 1 year	Loan	50,000
CCHC Investment*	Rolling Balance	Loan (Asset Security)	7,500,000
Cambridge Investment Partnership*	Rolling Balance	Loan (Asset Security)	65m
CCLA Local Authorities' Property Fund	Minimum of 5 years	Pooled UK Property Fund	Up to 15m
Certificates of Deposit (with UK Banking Institutions)	Liquid Rolling Balance	Financial Instrument	See limits above

Name	Council's Current Deposit Period	Category	Limit (£)
Certificates of Deposit (with UK Building Societies)	Liquid Rolling Balance	Financial Instrument	See limits above
Certificates of Deposit (with Foreign Banking Institutions)	Liquid Rolling Balance	Financial Instrument	2m (per single counterparty)
Enhanced Cash Funds (Standard & Poor's: AAAf/S1, Fitch: AAAs/S1)	Over 1 year and up to 5 years	Financial Instrument	10m (per single counterparty)
Enhanced Money Market Funds (not below AAf) - VNAV	Over 1 year and up to 5 years	Financial Instrument	5m (per fund)
Commercial Property Investments funded from cash balances	Over 1 year	Commercial Property	25m (in total)
Municipal Bonds Agency	N/A	Pooled Financial Instrument Facility	50,000
Secured Local Bond – Allia Limited	N/A	Local Business Bond	Up to 5m in total
Supranational Bonds – AAA	Using Link's Credit Criteria	Multi-lateral Development Bank Bond	15m
UK Government Gilts	Over 1 year & up to 30 years	Financial Instrument	15m

Note: In addition to the limits above, the total non-specified items over 1 year (**excluding balances with related parties***) will not exceed £50m.

Appendix E

Treasury Management – Glossary of Terms and Abbreviations

Term	Definition
Authorised Limit for External Borrowing	Represents a control on the maximum level of borrowing
Capital Expenditure	Expenditure capitalised in accordance with regulations i.e. material expenditure either by Government Directive or on capital assets, such as land and buildings, owned by the Council (as opposed to revenue expenditure which is on day to day items including employees' pay, premises costs and supplies and services)
Capital Financing Requirement	A measure of the Council's underlying borrowing need, i.e. it represents the total historical outstanding capital expenditure which has not been paid for from either revenue or capital resources
Certificates of Deposit (CDs)	Low risk certificates issued by banks which offer a higher rate of return
CIP	Cambridge Investment Partnership
CIPFA	Chartered Institute of Public Finance and Accountancy
Corporate Bonds	Financial instruments issued by corporations
Counterparties	Financial institutions with which funds may be placed
Credit Risk	Risk of borrower defaulting on any type of debt by failing to make payments which it is obligated to do
Enhanced Cash Funds	Higher yielding funds typically for investments exceeding 3 months
Eurocurrency	Currency deposited by national governments or corporations in banks outside of their home market
External Gross Debt	Long-term liabilities including Private Finance Initiatives and Finance Leases
FOMC	Federal Open Market Committee - the Federal Reserve Committee responsible for setting U.S. monetary policy

Term	Definition
Government CNAV	Highly liquid sovereign stock based on a Constant Net Asset Value (CNAV)
HRA	Housing Revenue Account - a ringfenced account for local authority housing where a council acts as landlord
HRA Self-Financing	A new funding regime for the HRA introduced in place of the previous annual subsidy system
Liquidity	A measure of how readily available a deposit is
Low Volatility Net Asset Value (LVNAV)	Highly liquid sovereign stock based on a Constant Net Asset Value (CNAV)
MPC	Monetary Policy Committee - The Bank of England Committee responsible for setting the UK's bank base rate
Minimum Revenue Provision (MRP)	Revenue charge to finance the repayment of debt
Non Ring Fenced Bank (NRFB)	Government and Bank of England rules apply to all UK Banks which have to split their business into 'core' retail and investment units known as Ring and Non Ring Fenced Banks
Non-Specified Investments	These are investments that do not meet the conditions laid down for Specified Investments and potentially carry additional risk, e.g. lending for periods beyond 1 year
Operational Boundary	Limit which external borrowing is not normally expected to exceed
PWLB	Public Works Loans Board - an Executive Government Agency of HM Treasury from which local authorities and other prescribed bodies may borrow at favourable interest rates
Quantitative Easing (QE)	A financial mechanism whereby the Central Bank creates money to buy bonds from financial institutions, which reduces interest rates, leaving businesses and individuals to borrow more. This is intended to lead to an increase in spending, creating more jobs and boosting the economy

Term	Definition
Ring Fenced Bank (RFB)	Government and Bank of England rules apply to all UK Banks which have to split their business into 'core' retail and investment units known as Ring and Non Ring Fenced Banks
Sterling Over Night Index Average (SONIA)	SONIA is a widely used benchmark based on actual transactions and reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors.
Security	A measure of the creditworthiness of a counter-party
Specified Investments	Those investments identified as offering high security and liquidity. They are also sterling denominated, with maturities up to a maximum of 1 year, meeting the minimum 'high' credit rating criteria where applicable
Supranational Bonds	Multi-lateral Development Bank Bond
UK Government Gilts	Longer term Government securities with maturities over 6 months and up to 30 years
UK Government Treasury Bills	Short term securities with a maximum maturity of 6 months issued by HM Treasury
Variable Net Asset Value	MMF values based on daily market fluctuations to 2 decimal places known as mark-to-market prices
Weighted Average Life (WAL)	Weighted average length of time of unpaid principal
Weighted Average Maturity (WAM)	Weighted average amount of time to maturity
Yield	Interest, or rate of return, on an investment