

# Appendix I - Treasury Management Strategy 2026/27

## Introduction:

1. Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.
2. Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.
3. Investments held for service purposes are considered separately within the Investment Strategy.

## Economic Background

4. The impact on the UK from the government's Autumn Budget will influence the Authority's treasury management strategy for 2026/27. Other influences will include lower short-term interest rates alongside higher medium- and longer-term rates, slower economic growth, together with ongoing uncertainties around the global economy, stock market sentiment, and ongoing geopolitical issues.
5. The Bank of England's Monetary Policy Committee (MPC) cut Bank Rate to 3.75% in December 2025, as expected. The vote to cut was 5-4, with the minority instead favouring holding rates at 4.0%. Those members wanting a cut judged that disinflation was established while those preferring to hold Bank Rate argued that inflation risks remained sufficiently material to leave rates untouched at this stage.
6. Figures from the Office for National Statistics showed that the UK economy expanded by 0.1% in the third quarter of the calendar year, this was unrevised from the initial estimate.
7. The accompanying Monetary Policy Report projected modest economic growth, with GDP expected to rise by 0.2% in the final calendar quarter of 2025. Annual growth is forecast to ease from 1.4% before improving again later, reflecting the delayed effects of lower interest rates, looser monetary conditions, stronger global activity, and higher consumer spending.
8. CPI inflation was 3.2% in November 2025, down from 3.6% in the previous month and below the 3.5% expected. Core CPI eased to 3.2% from 3.4%, contrary to forecasts of remaining at 3.6%. Looking forward, the MPC continues to expect inflation to fall, to around 3% in calendar Q1 2026, before steadily returning to the 2% target by late 2026 or early 2027.
9. The labour market continues to ease with rising unemployment, falling vacancies and flat inactivity. In the three months to October 2025, the unemployment rate increased to 5.1%, higher than the level previously expected by the BoE, while the employment rate slipped to

74.9%. Pay growth for the same period eased modestly, with total earnings (including bonuses) growth at 4.7% and while regular pay was 4.6%.

10. The US Federal Reserve also continued to cut rates, including reducing the target range for the Federal Funds Rate by 0.25% at its December 2025 meeting, to 3.50%-3.75%, in line with expectations. The minutes of the meeting noted that most Fed policymakers judged that further rate cuts would be likely in 2026 if inflation continues to ease, however they were still divided in their assessment of the risks between inflation and unemployment.
11. The European Central Bank (ECB) kept its key interest rates unchanged in December for a fourth consecutive meeting, maintaining the deposit rate at 2.0% and the main refinancing rate at 2.15%. The ECB maintained that future policy decisions will remain data-dependent, that inflation is close to its 2% target and that the euro area economy continues to expand despite a challenging global environment, including heightened geopolitical risks and trade tensions.

### Credit outlook

12. Credit Default Swap (CDS) prices, which spiked in April 2025 following President Trump's 'Liberation Day' tariff announcements, have since trended lower, returning to levels broadly consistent with their 2024 averages. Although CDS prices rose modestly in October, the overall credit outlook remains stable, and credit conditions are expected to remain close to the range seen over the past two years.
13. While lower interest rates may weigh on banks' profitability, strong capital positions, easing inflation, steady economic growth, low unemployment, and reduced borrowing costs for households and businesses all support a favourable outlook for the creditworthiness of institutions on Arlingclose's (the Council's Treasury Management Adviser) counterparty list. Arlingclose's advice on approved counterparties and recommended investment durations is kept under continuous review and will continue to reflect prevailing economic and credit conditions.
14. Interest rate forecast (December 2025): Arlingclose, the Authority's treasury management adviser, currently forecasts that the Bank of England's Monetary Policy Committee will continue to reduce Bank Rate in 2026, reaching around 3.25%. This forecast reflects amendments made following the Autumn Budget and an assessment of the fiscal measures and their market implications, and following the BoE MPC meeting held on 18th December.
15. Long-term gilt yields, and therefore interest rates payable on long-term borrowing, are expected to remain broadly stable on average, though with continued volatility, and to end the forecast period marginally lower than current levels. Yields are likely to stay higher than in the pre-quantitative tightening era, reflecting ongoing balance sheet reduction and elevated bond issuance. Short-term fluctuations are expected to persist in response to economic data releases and geopolitical developments.
16. A more detailed economic and interest rate forecast provided by Arlingclose is in Appendix I.2 at the end of this report.
17. For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate of 4.0%, and that new long-term loans will be borrowed at an average rate of 5.0% in 2026/27.

## 18. Local Context

19. At 31 December 2025, the Council held £1003.2m of borrowing (£938.2m long term and £65.0m short term) and £42.0m of short-term cash investments. This is set out in further detail at Appendix 4 at the end of this report. Forecast changes in these sums are shown in the balance sheet analysis in Table 1.

20. As per Table 1, the Council will need to borrow up to £503m by 2030/31 to support the financing of the capital programme.

## 21. Table 1: Balance sheet summary and forecast

| £m   | 2025/26        | 2026/27        | 2027/28        | 2028/29        | 2029/30        | 2030/31        |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
|  | Forecast       | Estimate       | Estimate       | Estimate       | Estimate       | Estimate       |
| Capital Financing Requirement                      | 1,503.3        | 1,641.4        | 1,708.8        | 1,775.3        | 1,791.4        | 1,739.1        |
| Other debt liabilities*                            | 24.7           | 22.7           | 20.4           | 17.0           | 15.6           | 15.6           |
| <b>Loans CFR</b>                                   | <b>1,527.9</b> | <b>1,664.1</b> | <b>1,729.2</b> | <b>1,792.3</b> | <b>1,807.0</b> | <b>1,754.7</b> |
| (less) External borrowing**                        | (969.5)        | (893.6)        | (839.2)        | (799.7)        | (770.3)        | (740.4)        |
| Internal (Over) Borrowing***                       | 533.7          | 747.8          | 869.7          | 975.6          | 1,021.1        | 998.7          |
| (less) Balance Sheet Resources                     | (495.7)        | (495.7)        | (495.7)        | (495.7)        | (495.7)        | (495.7)        |
| <b>New borrowing (or Treasury Investments)****</b> | <b>78.0</b>    | <b>252.1</b>   | <b>374.0</b>   | <b>479.9</b>   | <b>525.4</b>   | <b>503.0</b>   |

\* Other debt liabilities include leases and PFI liabilities that form part of the Authority's total debt

\*\* This table shows only loans to which the Authority is committed and excludes optional refinancing and additional capital programme debt

\*\*\*Internal (over borrowing) is calculated by using CFR less external borrowing.

\*\*\*\*New borrowing in 2025/26 also includes a £40m buffer for additional capital programme debt.

22. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Council's strategy has been to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing. This means the Council has minimised its interest costs by utilising internal resources over the short term instead of undertaking more expensive external borrowing. As our internal resources continue to be depleted, there is an increasing need for the Council to undertake new external borrowing to fund the capital programme. However, whilst deferring external borrowing and using internal resources minimises debt interest costs, internal resources will need to be replenished later. This could expose the Council to interest rate risk whereby interest rates could be higher (or lower) than the present day where they have been relatively high and expensive for longer term duration of loans and debt financing.

23. CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council expects to comply with this recommendation during 2026/27.

24. Table 2 sets out the Council's current and future years capital programme and capital financing. The Capital strategy 2026/27 Appendix G to the main report and section 14 of the main Budget and Council Tax report 2026/27 has additional information on the council's capital programme.

**Table 2: Capital Programme Expenditure and Financing**

| <b>Capital Expenditure &amp; Financing (£m)</b> | <b>2025/26</b> | <b>2026/27</b> | <b>2027/28</b> | <b>2028/29</b> | <b>2029/30</b> | <b>2030/31</b> | <b>Total 2025/26-2030/31</b> |
|---|----------------|----------------|----------------|----------------|----------------|----------------|------------------------------|
|   | <b>Budget</b>  | <b>Budget</b>  | <b>Budget</b>  | <b>Budget</b>  | <b>Budget</b>  | <b>Budget</b>  |                              |
| Corporate Assets                                | 48.3           | 50.1           | 31.6           | 23.5           | 14.3           | 3.5            | <b>171.2</b>                 |
| South Kilburn                                   | 26.9           | 45.0           | 31.7           | 19.4           | 12.0           | 6.9            | <b>141.9</b>                 |
| Infrastructure and Regeneration                 | 84.2           | 68.2           | 21.3           | 29.9           | 25.4           | 0.0            | <b>229.0</b>                 |
| Schools   | 25.5           | 34.3           | 27.0           | 18.6           | 5.0            | 0.0            | <b>110.4</b>                 |
| Housing HRA & Management                        | 24.5           | 44.9           | 35.5           | 23.4           | 23.0           | 5.0            | <b>156.3</b>                 |
| Affordable Housing Supply                       | 119.3          | 51.3           | 67.0           | 63.2           | 32.8           | 0.0            | <b>333.7</b>                 |
| <b>Total Capital Expenditure</b>                | <b>328.9</b>   | <b>293.8</b>   | <b>214.0</b>   | <b>177.9</b>   | <b>112.5</b>   | <b>15.4</b>    | <b>1,142.5</b>               |

| <b>Capital Financing (£m)</b>  | <b>2025/26</b> | <b>2026/27</b> | <b>2027/28</b> | <b>2028/29</b> | <b>2029/30</b> | <b>2030/31</b> | <b>Total 2025/26-2030/31</b> |
|--------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------------------|
|                                | <b>Budget</b>  | <b>Budget</b>  | <b>Budget</b>  | <b>Budget</b>  | <b>Budget</b>  | <b>Budget</b>  |                              |
| Grants                         | 83.3           | 46.5           | 27.9           | 18.9           | 9.0            | 5.6            | <b>191.2</b>                 |
| Section 106 & CIL              | 43.6           | 43.4           | 29.6           | 30.8           | 24.2           | 3.8            | <b>175.4</b>                 |
| Capital Receipts               | 3.6            | 14.5           | 37.4           | 6.0            | 0.4            | 0.0            | <b>61.9</b>                  |
| Earmarked Reserves             | 5.3            | 3.0            | 2.5            | 1.0            | 0.1            | 0.7            | <b>12.6</b>                  |
| Major Repairs Reserve          | 13.7           | 16.6           | 13.0           | 13.0           | 13.0           | 0.0            | <b>69.3</b>                  |
| Revenue Contributions          | 6.5            | 1.4            | 1.6            | 0.6            | 0.6            | 0.0            | <b>10.7</b>                  |
| Borrowing                      | 172.9          | 168.4          | 102.0          | 107.6          | 65.2           | 5.3            | <b>621.4</b>                 |
| <b>Total Capital Financing</b> | <b>328.9</b>   | <b>293.8</b>   | <b>214.0</b>   | <b>177.9</b>   | <b>112.5</b>   | <b>15.4</b>    | <b>1,142.5</b>               |

25. Table 3 details the cost of delivering the Council's proposed capital programme as well as servicing existing debt relating to past capital programme.

**Table 3: Capital financing costs**

| <b>Capital Financing Costs (£m)</b>        | <b>2025/26</b>  | <b>2026/27</b>  | <b>2027/28</b>  | <b>2028/29</b>  | <b>2029/30</b>  | <b>2030/31</b>  |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|  | <b>Estimate</b> | <b>Estimate</b> | <b>Estimate</b> | <b>Estimate</b> | <b>Estimate</b> | <b>Estimate</b> |
| <b>Total Gross External Debt Interest</b>  | 41.2            | 48.9            | 54.1            | 54.8            | 53.2            | 51.8            |
| <b>Other Interest Payable and expenses</b> | 2.5             | 1.6             | 1.6             | 1.6             | 1.6             | 1.7             |

|   |               |               |               |               |               |               |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Total Interest Payable &amp; Expenses</b>              | <b>43.7</b>   | <b>50.5</b>   | <b>55.7</b>   | <b>56.4</b>   | <b>54.8</b>   | <b>53.5</b>   |
| <b>Total Interest Receivable</b>                          | <b>(23.6)</b> | <b>(27.7)</b> | <b>(30.3)</b> | <b>(31.3)</b> | <b>(32.2)</b> | <b>(32.2)</b> |
| <b>Net Interest</b>                                       | <b>20.1</b>   | <b>22.8</b>   | <b>25.3</b>   | <b>25.2</b>   | <b>22.7</b>   | <b>21.4</b>   |
| <b>MRP (Excluding PFI)</b>                                | 16.9          | 20.5          | 24.7          | 31.4          | 39.3          | 47.7          |
| <b>Total Capital Financing Costs (Interest &amp; MRP)</b> | <b>37.0</b>   | <b>43.3</b>   | <b>50.1</b>   | <b>56.5</b>   | <b>62.0</b>   | <b>69.0</b>   |

26. The cost of new loans is based on a budgeted interest rate of 5.0%. The Council also has an ongoing obligation to service existing long dated fixed rate debt that has been raised secured to fund capital programmes of the past. The increase in capital financing costs is also attributable to Minimum Revenue Provision (MRP), a statutory charge to the Revenue Account for the repayment of debt. MRP is increasing due to new capital spend that is being financed through borrowing, as well as existing borrowing associated with past capital programmes that requires to be repaid over the life of the assets that have enhanced or constructed. The Council uses the annuity method to determine the MRP charge, which results in a lower charge in the earlier period of the repayment schedule but increases the charge over time.

27. Rising interest rates and limited available reserves and grant funding makes delivering the Council's ambitious capital programme very challenging. The Council manages its borrowing position proactively and pressures are incorporated into the Medium-Term Financial Strategy. Through this proactive approach, the Council aims to maintain a balanced budget while continuing to invest in essential infrastructure and services for the community through the capital programme.

### **Liability Benchmark**

28. To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level to maintain sufficient liquidity but minimise credit risk.

29. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

30. Following on from the medium-term forecasts in Table 3, the long-term liability benchmark assumes Minimum Revenue Provision (MRP) on new capital expenditure based on estimated asset lives in line with the Council's MRP policy. Most asset lives are estimated between 5 and 50 years. The chart below shows the profile of the Capital Financing Requirement (CFR).

**31. Table 4: Prudential Indicator: Liability benchmark**

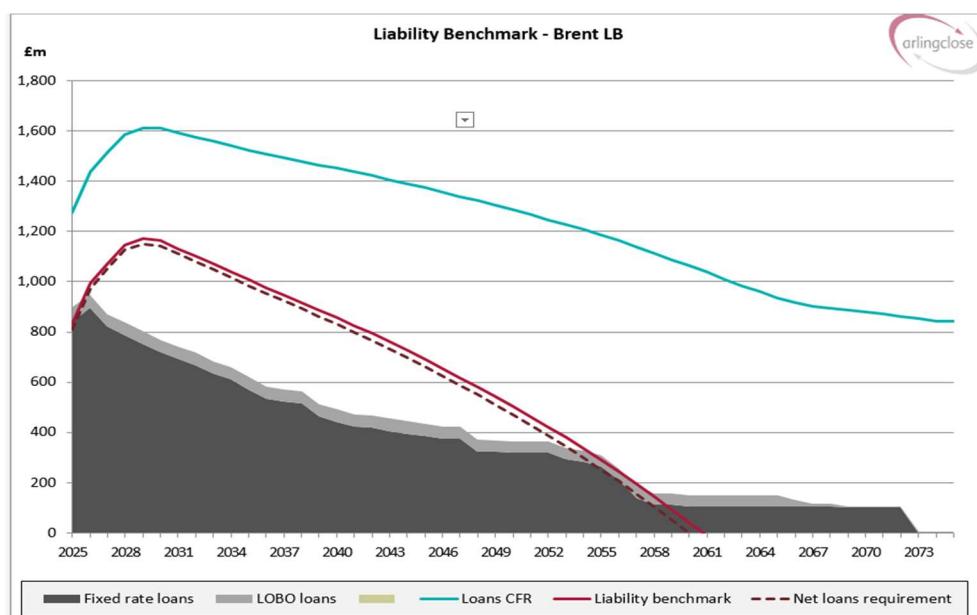
| Liability Benchmark (£m)      | 2025/26        | 2026/27        | 2027/28        | 2028/29        | 2029/30        | 2030/31        |
|-------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                               | Estimate       | Estimate       | Estimate       | Estimate       | Estimate       | Estimate       |
| CFR                           | 1,503.3        | 1,641.4        | 1,708.8        | 1,775.3        | 1,791.4        | 1,739.1        |
| LOBO Loans*                   | 34.5           | 25.0           | 10.0           | 10.0           | 0.0            | 0.0            |
| Non LOBO Loans                | 1,008.6        | 1,186.7        | 1,303.6        | 1,411.2        | 1,486.4        | 1,491.7        |
| Balance Sheet Resources       | (495.7)        | (495.7)        | (495.7)        | (495.7)        | (495.7)        | (495.7)        |
| <b>Net Loan Requirement**</b> | <b>1,023.1</b> | <b>1,191.7</b> | <b>1,293.6</b> | <b>1,401.2</b> | <b>1,466.4</b> | <b>1,471.7</b> |
| Plus Liquidity Allowance      | 20.0           | 20.0           | 20.0           | 20.0           | 20.0           | 20.0           |
| <b>Liability Benchmark***</b> | <b>1,043.1</b> | <b>1,211.7</b> | <b>1,313.6</b> | <b>1,421.2</b> | <b>1,486.4</b> | <b>1,491.7</b> |

\*As at 31 December 2025 the council held £49.5m LOBOs. There is a possibility that £15m may be called before the end of 2025/26 bringing the total to £34.5m, similarly in the future. The Treasury code guidance notes encourage that maturity should be normally determined by reference to when the lender can require payment which is the LOBO next call date

\*\*Net loan requirement is calculated by adding LOBO loans and non-LOBO loans less liquidity allowance.

\*\*\*In comparison, the liability benchmark is calculated by adding the net loan requirement and the liquidity allowance.

31. The Loan CFR represents the need to fund capital expenditure through borrowing. The Liability benchmark represents the level of borrowing requirement once reserves and working capital has been considered. Where the liability benchmark exceeds the Council's current borrowing levels this indicates the real need to borrow. The graph below from Arlingclose shows the council's liability benchmark at 31 December 2025.



### Borrowing Strategy

32. At 31 December 2025, the Council held £1,003.2m of loans, an increase of £103.2m compared to balances held at the start of the financial year (£900m). The Council's future

borrowing is dependent on the progression and development of the capital programme. The Council may also borrow additional sums to pre-fund future years' requirements as well as replenish the internal borrowing position, providing this does not exceed the authorised limit for borrowing in the years ahead.

33. **Objectives:** The Council's main objective when borrowing money is to prioritise security, liquidity and yield. This is done by ensuring appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.
34. **Strategy:** The Council's borrowing strategy continues to prioritise security, liquidity and yield as well as address the key issue of affordability without compromising the longer-term stability of the debt portfolio.
35. Interest rates have increased across the yield curve over the past year. Interest rates are currently high for longer term durations making it expensive for the council to borrow over 10 years. Therefore, short term borrowing is a cheaper option for the Council and the Council has varied its portfolio by securing local authority loans with a 1-year duration. This does however expose the Council to interest rate risk should rates rise in the future.
36. The Council will continue to work closely with our Treasury advisors, Arlingclose, to ensure borrowing occurs at optimal points avoiding the worst of the market volatility. The Council follows the advice of Arlingclose and takes a "little and often approach" to borrowing. This means borrowing relatively small amounts regularly with varying maturities. This enables the Council to take advantage of temporary reductions in interest rates and vary the terms of the loans to limit the risk of large sums needing to be repaid or refinanced at the same time.
37. The Council's Borrowing Strategy for 2026/27 is to maintain its debt portfolio Pool Rate within this range of 4.0% to 5.5%. At 31 December 2025, the average debt Pool Rate (excluding PFI) was 4.06%.
38. To ensure long term stability of the debt portfolio, a proportion of the portfolio will be funded by long term borrowing using a little and often approach.
39. **Sources of borrowing:** The approved sources of long-term and short-term borrowing are:
  - HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
  - National Wealth Fund (previously known as the UK Infrastructure Bank Ltd)
  - Any institution approved for investments (see below)
  - Any other bank or building society authorised to operate in the UK.
  - Any other UK public sector body including the Greater London Authority
  - UK public and private sector pension funds (except the local Brent Pension Fund)
  - Capital market bond investors.
  - Retail investors via a regulated peer-to-peer platform
  - Any other special purpose companies created to enable local authority bond issues.
40. **Other sources of debt finance:** In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:
  - Leasing
  - Hire purchase

- Similar asset-based finance

41. The Council has previously raised most of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pension funds and local authorities should they offer more favourable rates and not significantly increase the admin burden. In line with the requirements of the Prudential Code, the Council does not borrow primarily for yield and has no plans to in future. This ensures continuing access to PWLB borrowing facilities.
42. In addition to the above, the Council may borrow short-term loans to cover temporary cash flow pressures from other local authorities or public sector bodies and banks.
43. The Council may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.
44. **LOBOs:** As at 31 December 2025 the Council held £49.5m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost.
45. Two LOBOs totalling £14.5m may undergo rate reviews in 2026/27 resulting in a potential change in the loan rate. Due to higher interest rates, there is an elevated risk that the LOBOs will be called, resulting in higher interest rates or refinancing. The Council will assess the financial implications of the best approach and either repay the LOBO loans using existing cash resources (where applicable) or raise new loans.
46. **Short-term and variable rate loans:** These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below.
47. **Debt rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. Future rescheduling opportunities will be kept under review by Officers as the interest rate environment changes. Any decision to undertake debt rescheduling will be the subject of a separate report by the Corporate Director for Finance and Resources in consultation with the Lead Member for Finance.

### Treasury Investment Strategy

48. The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. When cash balances are high the Council will defer the decision to borrow for the capital programme until such time cash balances deplete. Cash balances are forecasted to reduce over time as the Council is a net borrower.
49. **Objectives:** The CIPFA Code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, to maintain the spending power of the sum invested.

The Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing. The ESG Policy is discussed below.

50. **Strategy:** As demonstrated by the liability benchmark above, the Council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments such as Local Authority deposits or Money-Market Funds. Cash invested beyond the liquidity duration will be in accordance with the investment instruments set out in Table 5. However, it is anticipated that the Council will not have significant cash balances to invest into long durations. The Council will maintain a minimum investment balance of £10m to ensure the Council complies with the requirements to be a professional client under MiFID II regulations.

51. **ESG Policy** - Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds for greater than a year, the Council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

52. Currently, most of the Council's surplus cash remains invested in short-term money market funds. The average rate of interest received on short-term investments during the year to 31 December 2025 was 4.2% with an average duration of 1 day and an average weighted risk rating of A+. Due to the Council's borrowing requirement, there is unlikely to be scope to improve the short-term investment returns achieved as liquidity of the surplus funds will play a key role.

53. **Business models:** Under the IFRS 9 standard introduced in 2019, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

54. **Approved counterparties:** The Council may invest its surplus funds with any of the counterparty types in table 5, subject to the limits shown

|  | Credit Quality   | Cash limit | Time Limit † |
|--|------------------|------------|--------------|
| <b>Any single organisation, except a Government entity</b>   | A- Or equivalent | £20m       | n/a          |
| <b>UK Government</b>   | Any              | Unlimited  | 50 years     |
| <b>Local Authorities &amp; other government entities</b>     | Any              | Unlimited  | 25 years     |
| <b>Banks (unsecured)*</b>                                    | A- Or equivalent | £20m       | 13 months    |
| <b>Building Societies (unsecured)*</b>                       | A- Or equivalent | £20m       | 13 months    |
| <b>Registered providers and registered social landlords*</b> | A- Or equivalent | £20m       | 5 years      |

| Secured investments*                  | A- Or equivalent | £20m  | 5 years | Table 5: |
|---------------------------------------|------------------|---|---------|----------|
| <b>Money market funds*</b>            | A- Or equivalent | Lower of 5% of total net assets of the fund or £20m | n/a     |          |
| <b>Strategic pooled funds*</b>        | A- Or equivalent | £20m  | n/a     |          |
| <b>Real estate investment trusts*</b> | A- Or equivalent | £20m  | n/a     |          |
| <b>Other Investments*</b>             | A- Or equivalent | £50m  | 5 years |          |

**Investment limit**

† Time limits: These start on the earlier of date that the Authority is committed to make the investment and the date that cash is transferred to the counterparty.

\*Please refer to Minimum credit rating paragraph below.

55. **\*Minimum Credit Rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose long-term credit rating is no lower than A-. The Council uses the lowest rating quoted by the main rating agencies, as recommended by CIPFA. The Council uses the credit rating relevant to the specific investment or class of investment, or, if unavailable, the counterparty credit rating. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be considered. Within these criteria the Corporate Director for Finance and Resources has discretion to accept or reject individual institutions as counterparties based on any information which may become available.

56. **Government:** Loans to and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

57. **Local authorities and other government entities:** Loans to, and bonds and bills issued or guaranteed by, other national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk.

58. For authorities subject to local government reorganisation, the counterparty limit for loans to local authorities will be increased to an unlimited amount where (a) the government has announced that this authority will merge with the borrowing authority and (b) the loan is scheduled to be repaid after the expected date of the merger.

59. **Banks and building societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. There is no upper limit to the maximum credit loss that the Council could suffer in the event of a bail-in scenario. See section 68 below for arrangements relating to operational bank accounts. Investments in unsecured deposits will be limited to £20m.

60. **Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed. Investments with registered providers will be limited to £20m in 2026/27.

61. **Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments. The Council and its advisors remain alert for signs of credit or market distress that might adversely affect the Council. Investments in secured deposits will be limited to £20m. A higher limit applies for investments fully secured on UK or other government collateral.

62. **Money market funds (MMFs):** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times. Deposits will not exceed 0.5% of the net asset value of the MMF. In addition, each Fund will be limited to a maximum deposit of £20m. As of the 31 December 2025 the council held £42.0m in MMFs with no more than £20m in each fund available to the council.

63. The investment strategy will provide flexibility to invest cash for longer periods to access higher investment returns. The upper limit for lending beyond a year is £50m. In practice, lending for more than one year will be only to institutions of the highest credit quality and at rates which justify the liquidity risk involved. Marketable instruments may have longer maturities, though the maturity will be considered in conjunction with the likely liquidity of the market and credit quality of the institution. Other than UK Central Government the Council may invest its surplus funds subject to a maximum duration of 25 years.

#### **Alternative investment options will include:**

64. **Strategic pooled funds:** Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly. Although considered as pooled funds, Money Market Fund's (MMFs) are discussed separately in the previous two paragraphs. Investments in pooled funds will be limited to £20m in 2026/27.

65. The IFRS9 Statutory Override was originally in place until 31 March and has been extended for existing pooled funds until 31 March 2029. Any new pooled fund investments made after 1 April 2024 will not be subject to the override. This means gains and losses will need to be recognised in the Comprehensive Income & Expenditure Account, impacting revenue outturn. As of 31 December 2025, the Council currently has no investments in Pooled Funds (other than MMFs) at present but may make prudent use of them in the future.

66. **Real estate investment trusts (REITs):** Shares in companies that invest in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties. The risk with any investments in REITs is that shares cannot be withdrawn but can be sold on the stock market to another investor which leaves the Council open to market risk. Investments in REITs will be limited to £20m in 2026/27.

67. **Other investments:** This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Council's investment at risk.

68. **Operational bank accounts:** The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity. The Council currently continues to bank with National Westminster Bank (NatWest) who meet the Council's minimum credit criteria. Should NatWest's creditworthiness deteriorate below the Council's minimum credit criteria, then as far as is consistent with operational efficiency, no money will be placed with NatWest and credit balances in the various Council accounts will be kept to a minimum level.

69. **Unrated Counterparties:** For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £200,000 per counterparty as part of a diversified pool e.g., via a peer-to-peer platform.

70. **Risk Assessment:** Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Any institution will be suspended or removed should any factors give rise to concern, and caution will be paramount in reaching any investment decision regardless of the counterparty or the circumstances. Should an entity's credit rating be downgraded so that it does not meet the Council's approved criteria then:

- No new investments will be made.
- Full consideration will be made to the recall or sale of existing investments with the affected counterparty.

71. Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch"), this could result in the rating falling below the council's approved rating criteria. In these circumstances, investments may be withdrawn on the next working day, until the outcome of the rating review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

72. **Other information on the security of investments:** The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the

Council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

73. When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2022; 2008 and 2020, this is not reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. This will cause a reduction in the level of investment income earned but will protect the principal sum invested.

74. **Reputational Risk:** The Council is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be considered when making investment decisions.

75. **Investment limits:** The Council's revenue reserves available to cover investment losses are forecast to be £451.6m on 31st March 2026. In order that no more than 10% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government and Council subsidiaries) will be £20 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes.

76. **Liquidity management:** The Council uses internal purpose-built cash flow modelling tools to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast. The Council aims to spread its liquid cash over at least two providers (e.g., bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

## TREASURY MANAGEMENT PRUDENTIAL INDICATORS

77. The Council measures and manages its exposures to treasury management risks using the following indicators.

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

**Table 6: Credit risk indicator**

| Credit risk indicator           | Target |
|---------------------------------|--------|
| Portfolio average credit rating | A      |

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

**Table 7: Liquidity risk indicator**

| Liquidity risk indicator             | Target |
|--------------------------------------|--------|
| Total cash available within 3 months | £20m   |

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

**Table 8: Interest rate risk indicator**

| Interest rate risk indicator  | Limit |
|---|-------|
| Upper limit on one-year revenue impact of a 1% rise in interest rates | £5m   |
| Upper limit on one-year revenue impact of a 1% fall in interest rates | £5m   |

*The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates.*

81. **Maturity structure of borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

**Table 9: Refinancing rate risk indicator**

| Refinancing rate risk indicator | Upper limit | Lower limit |
|---------------------------------|-------------|-------------|
| Under 12 months                 | 40%         | 0%          |
| 12 months and within 24 months  | 40%         | 0%          |
| 24 months and within 5 years    | 40%         | 0%          |
| 5 years and within 10 years     | 60%         | 0%          |
| 10 years and within 20 years    | 75%         | 0%          |
| 20 years and within 30 years    | 75%         | 0%          |
| 30 years and within 40 years    | 75%         | 0%          |
| Over 40 years                   | 75%         | 0%          |

*\*Time periods start on the first day of each financial year. LOBOs are classified as maturing on the next call date i.e., the earliest date that the lender can require repayment to ensure prudent and careful planning as part of managing the council's security and liquidity risk.*

82. **Principal sums invested for periods longer than a year:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

**Table 10: Price risk indicator**

| Price risk indicator                        | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 |
|---|---------|---------|---------|---------|---------|---------|
| Limit on principal invested beyond year end | £50m    | £50m    | £50m    | £50m    | £50m    | £50m    |

## Related Matters

83. The CIPFA Code requires the Council to include the following in its treasury management strategy.
84. **Financial Derivatives:** A Derivative is a contract between two or more parties to hedge against the risk associated with the performance of an underlying asset.
85. Local authorities have previously made use of financial derivatives embedded into its loans and investments both to reduce interest rate risk and to reduce costs or increase income at the expense of greater risk. Brent Council has not previously used such instruments.
86. In line with the CIPFA Code, the Council will seek external advice and consult with Members before entering financial derivatives to ensure that it fully understands the implications however there are no current plans to enter this type of arrangement. This will include analysis of the impact on interest rate, refinancing, counterparty, market, regulatory and legal risks, together with an assessment on the effectiveness of the derivative.
87. **Housing Revenue Account:** On 1st April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. New long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g., premiums and discounts on early redemption) will be charged/ credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured and interest transferred between the General Fund and HRA at the Council's average interest rate on investments, adjusted for credit risk.
88. The Council is eligible for the PWLB HRA rate, which is 0.4% below the Standard Rate. This discounted rate can be used to support local authorities borrowing for the Housing Revenue Account's capital programme and for refinancing existing HRA loans. The Council may choose to raise PWLB loans for the HRA in 2026/27 under the HRA concessionary rate subject to it being beneficial for the HRA and Government maintaining the concessionary rate.
89. **Markets in Financial Instruments Directive:** The MiFID II regulations took effect from January 2018 which saw the council reclassified as a retail client with the opportunity to opt up to professional client status. Retail clients have access increased protection however this would be balanced against potentially higher fees and access to a more limited range of products. The Council has opted up to professional client status with its providers of financial services, including advisors, banks, brokers and fund managers. Given the size and range of the Council's treasury management activities, the Corporate Director for Finance and Resources believes this to be the appropriate status for the Council's treasury management activities.
90. **Financial Implications:** A draft capital financing budget of £39.1m for 2026/27 has been determined to enable the Council to service its debt in a timely manner; to ensure it complies with the Statutory MRP Guidance and to allow the Council to continue with the delivery of its proposed capital programme in a prudent and affordable manner.
91. **Other Options Considered:** The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Council believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

**Table 11: Alternative Strategies**

| Alternative   | Impact on income and expenditure   | Impact on risk management   |
|---|--|---|
| Invest in a narrower range of counterparties and/or for shorter times | Interest income will be lower  | Lower chance of losses from credit related defaults, but any such losses may be greater   |
| Invest in a wider range of counterparties and/or for longer times     | Interest income will be higher   | Increased risk of losses from credit related defaults, but any such losses may be smaller   |
| Borrow additional sums at long-term fixed interest rates              | Debt interest costs will rise; this is unlikely to be offset by higher investment income | Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain            |
| Borrow short-term or variable loans instead of long-term fixed rates  | Debt interest costs will initially be lower  | Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain |
| Reduce level of borrowing   | Saving on debt interest is likely to exceed lost investment income                       | Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain            |

## Appendix 2: Economic Commentary Economic & Interest Rate Forecast December 2025

### Underlying assumptions:

- The Bank of England duly delivered on expectations for a December rate cut, but, despite softer economic data over the past two weeks, the minutes highlighted increased caution surrounding both the inflation outlook and the speed of future easing. With a close vote of 5-4 in favour of a rate reduction, this suggests that the bar for further monetary easing may be higher than previously thought despite the possibility of the CPI rate falling to target in 2026.
- Budget policies and base effects will mechanically reduce the CPI rate in 2026, on top of the downward pressure arising from soft economic growth and the looser labour market. However, many policymakers appear concerned that household and business inflation and pricing expectations are proving sticky following recent bouts of high price and wage growth, which may allow underlying inflationary pressure to remain elevated. While, the Bank's measure of household expectations ticked lower in December, it remains above levels consistent with the 2% target at 3.5%.
- While policymakers hold valid concerns, these appear somewhat out of line with current conditions; CPI inflation fell to 3.2% in November, private sector wage growth continued to ease amid the highest unemployment rate since the pandemic, and the economy contracted in October after barely growing in Q3. Business surveys pointed to marginally stronger activity and pricing intentions in December but also suggested that the pre-Budget malaise was not temporary. These data are the latest in a trend suggesting challenging economic conditions are feeding into price and wage setting.
- Risks to the growth and inflation outlook lie to the downside, which may ultimately deliver lower Bank Rate than our central case. However, the minutes suggest that the bar to further rate cuts beyond 3.25% is higher and the near-term upside risks to our Bank Rate forecast have increased. Having said that, we believe inflation expectations will naturally decline alongside headline inflation rates.
- Investors appear to have given the UK government some breathing space following the Budget, with long-term yields continuing to trade at slightly lower levels than in late summer/early autumn. Even so, sustained heavy borrowing across advanced economies, the DMO's move towards issuing more short-dated gilts and lingering doubts about the government's fiscal plans will keep short to medium yields above the levels implied by interest rate expectations alone.

### Forecast:

- In line with our long-held forecast, Bank Rate was cut to 3.75% in December.
- Continuing disinflation, rising unemployment, softening wage growth and low confidence suggests that monetary policy will continue to be loosened.
- Arlingclose expects Bank Rate to be cut to 3.25% by middle of 2026. However, near-term upside risks to the forecast have increased.
  - Medium and long-term gilt yields continue to incorporate premia for UK government credibility, global uncertainty and significant issuance. These issues may not be resolved quickly and we expect yields to remain higher

|                                  | Current     | Dec-25      | Mar-26      | Jun-26      | Sep-26      | Dec-26      | Mar-27      | Jun-27      | Sep-27      | Dec-27      | Mar-28      | Jun-28      | Sep-28      |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Official Bank Rate</b>        |             |             |             |             |             |             |             |             |             |             |             |             |             |
| Upside risk                      | 0.00        | 0.25        | 0.50        | 0.50        | 0.50        | 0.50        | 0.50        | 0.50        | 0.50        | 0.50        | 0.50        | 0.50        | 0.50        |
| <b>Central Case</b>              | <b>4.00</b> | <b>3.75</b> | <b>3.50</b> | <b>3.25</b> |
| Downside risk                    | 0.00        | 0.00        | -0.25       | -0.50       | -0.50       | -0.50       | -0.50       | -0.50       | -0.50       | -0.50       | -0.50       | -0.50       | -0.50       |
| <b>3-month money market rate</b> |             |             |             |             |             |             |             |             |             |             |             |             |             |
| Upside risk                      | 0.00        | 0.25        | 0.50        | 0.50        | 0.50        | 0.50        | 0.50        | 0.50        | 0.50        | 0.50        | 0.50        | 0.50        | 0.50        |
| <b>Central Case</b>              | <b>3.90</b> | <b>3.65</b> | <b>3.50</b> | <b>3.40</b> | <b>3.35</b> |
| Downside risk                    | 0.00        | 0.00        | -0.25       | -0.50       | -0.50       | -0.50       | -0.50       | -0.50       | -0.50       | -0.50       | -0.50       | -0.50       | -0.50       |
| <b>5yr gilt yield</b>            |             |             |             |             |             |             |             |             |             |             |             |             |             |
| Upside risk                      | 0.00        | 0.40        | 0.45        | 0.50        | 0.55        | 0.60        | 0.65        | 0.70        | 0.70        | 0.70        | 0.70        | 0.70        | 0.70        |
| <b>Central Case</b>              | <b>3.92</b> | <b>3.90</b> | <b>3.85</b> | <b>3.80</b> | <b>3.75</b> | <b>3.80</b> | <b>3.80</b> |
| Downside risk                    | 0.00        | -0.50       | -0.60       | -0.70       | -0.80       | -0.85       | -0.85       | -0.85       | -0.85       | -0.85       | -0.85       | -0.85       | -0.85       |
| <b>10yr gilt yield</b>           |             |             |             |             |             |             |             |             |             |             |             |             |             |
| Upside risk                      | 0.00        | 0.40        | 0.45        | 0.50        | 0.55        | 0.60        | 0.65        | 0.70        | 0.70        | 0.70        | 0.70        | 0.70        | 0.70        |
| <b>Central Case</b>              | <b>4.48</b> | <b>4.40</b> | <b>4.35</b> | <b>4.30</b> | <b>4.25</b> | <b>4.30</b> | <b>4.30</b> |
| Downside risk                    | 0.00        | -0.50       | -0.60       | -0.70       | -0.80       | -0.85       | -0.85       | -0.85       | -0.85       | -0.85       | -0.85       | -0.85       | -0.85       |
| <b>20yr gilt yield</b>           |             |             |             |             |             |             |             |             |             |             |             |             |             |
| Upside risk                      | 0.00        | 0.40        | 0.45        | 0.50        | 0.55        | 0.60        | 0.65        | 0.70        | 0.70        | 0.70        | 0.70        | 0.70        | 0.70        |
| <b>Central Case</b>              | <b>5.13</b> | <b>4.90</b> | <b>4.85</b> | <b>4.80</b> | <b>4.75</b> | <b>4.80</b> | <b>4.80</b> |
| Downside risk                    | 0.00        | -0.50       | -0.60       | -0.70       | -0.80       | -0.85       | -0.85       | -0.85       | -0.85       | -0.85       | -0.85       | -0.85       | -0.85       |
| <b>50yr gilt yield</b>           |             |             |             |             |             |             |             |             |             |             |             |             |             |
| Upside risk                      | 0.00        | 0.40        | 0.45        | 0.50        | 0.55        | 0.60        | 0.65        | 0.70        | 0.70        | 0.70        | 0.70        | 0.70        | 0.70        |
| <b>Central Case</b>              | <b>4.73</b> | <b>4.50</b> | <b>4.50</b> | <b>4.45</b> | <b>4.50</b> | <b>4.50</b> |
| Downside risk                    | 0.00        | -0.50       | -0.60       | -0.70       | -0.80       | -0.85       | -0.85       | -0.85       | -0.85       | -0.85       | -0.85       | -0.85       | -0.85       |

PWLB Standard Rate = Gilt yield + 1.00%

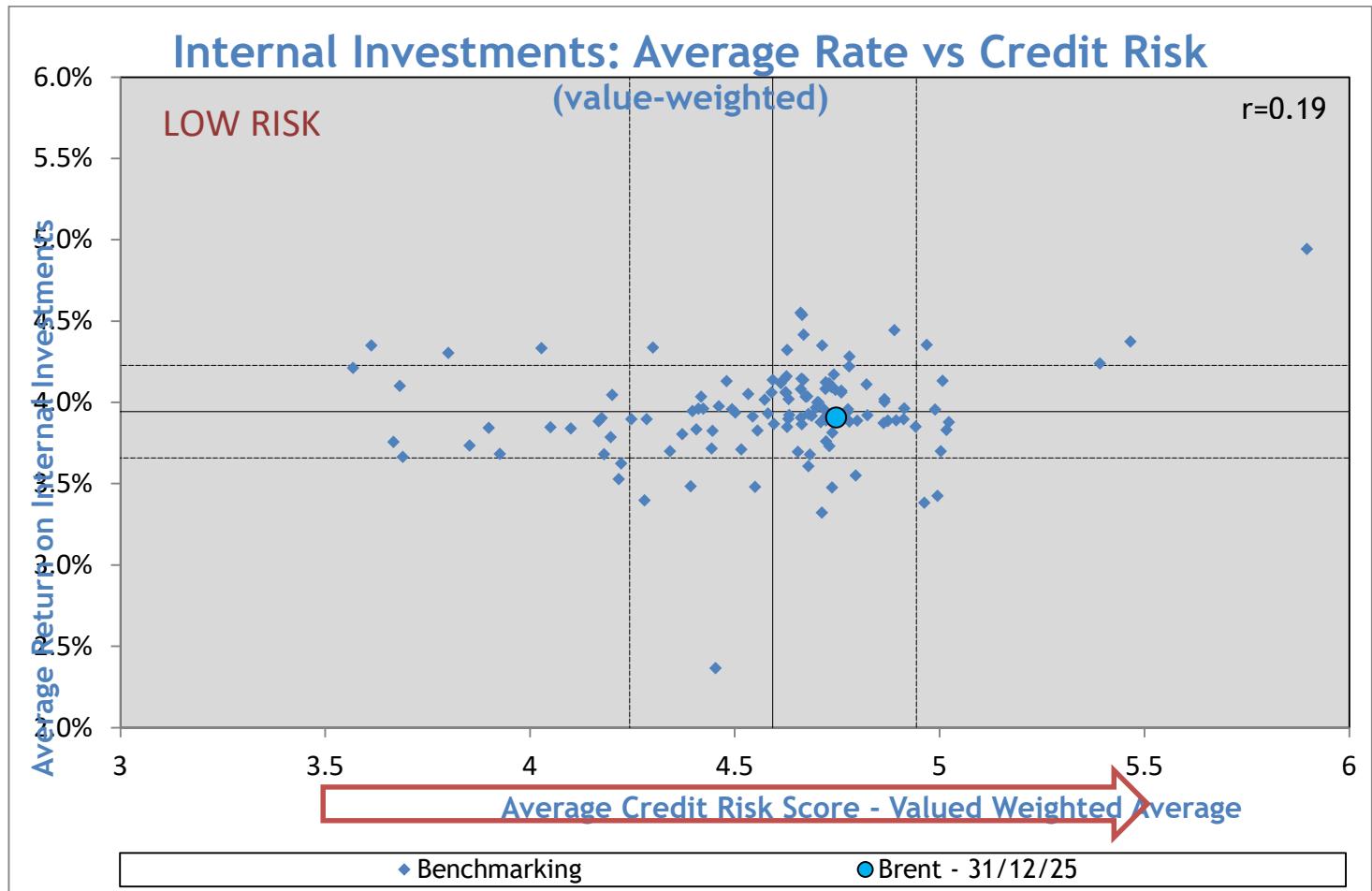
PWLB Certainty Rate = Gilt yield + 0.80%

PWLB HRA Rate = Gilt yield + 0.40%

National Wealth Fund (NWF) Rate = Gilt yield + 0.40%

### Appendix 3 - Average Rate vs Credit Risk

The Council measures the financial performance of its treasury management activities against similar Council's through benchmarking provided by its Treasury Management Advisor, Arlingclose limited. The latest data as at 31 December 2025 is presented below:



A credit rating of 4 is equivalent to credit score of AA-. The Council has a target rating of A which is a rating of 6. The current portfolio has a credit rating of A+ (Credit score 5) which exceeds our target rating.

## Appendix 4: Existing Investment &amp; Debt Portfolio

| <b>Existing Investment &amp; Debt Portfolio</b>             | <b>31/12/2025</b>       | <b>31/12/2025</b>   |
|---|-------------------------|---------------------|
|   | <b>Actual Portfolio</b> | <b>Average Rate</b> |
|   | <b>£m</b>               | <b>%</b>            |
| <b>Long-term borrowing:</b>                                 |                         |                     |
| Public Works Loan Board                                     | 798.7                   | 4.2                 |
| LOBO's  | 49.5                    | 3.2                 |
| Private Placement   | 90.0                    |                     |
| <b>Short-term borrowing:</b>                                |                         |                     |
| Local Authorities   | 65.0                    | 4.7                 |
| <b>Total External Borrowing</b>                             | <b>1003.2</b>           | <b>4.0</b>          |
| <b>Other long-term liabilities:</b>                         |                         |                     |
| Private Finance Initiative                                  | 52.0                    |                     |
| Finance Leases  | 18.6                    | N/A                 |
| <b>Total other long-term liabilities</b>                    |                         |                     |
| <b>Total gross external debt (including PFI and leases)</b> | <b>1073.8</b>           | <b>4.0</b>          |
| <b>Treasury investments:</b>                                |                         |                     |
| Money Market Funds  | 42.0                    | 4.2                 |
| <b>Total treasury investments</b>                           | <b>42.0</b>             |                     |
| <b>Net debt</b>   | <b>1115.8</b>           | <b>4.1</b>          |