



Havering
LONDON BOROUGH

AUDIT COMMITTEE

30 June 2026

Subject Heading:

Annual Treasury Management Report
2025/26

ELT Lead:

Kathy Freeman
Strategic Director of Resources and
S151 Officer

Report Author and contact details:

Tony Piggott Treasury Manager
01708 434 368
Tony.piggott@havering.gov.uk

Policy context:

This Authority is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the prudential and treasury indicators for 2025/26. This report meets the requirements of both the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management, ("the CIPFA TM code") and the CIPFA Prudential Code for Capital Finance in Local Authorities, ("the Prudential Code")

Financial summary:

The Treasury Strategy supports the Authority's Budget strategy.

The subject matter of this report deals with the following Council Objectives

People – Supporting our residents to stay safe and well	x
Place – A great place to live, work and enjoy	x
Resources – Enabling a resident-focused and resilient Council	x

SUMMARY

The CIPFA TM Code requires that authorities report on the performance of the treasury management function to Full Council at least twice per year (mid-year and at year-end).

The Authority's Treasury Management Strategy Statement (TMSS) 2025/26 was approved by Full Council on 4th March 2025. This backward looking report covers the delivery of the TMSS for 2025/26.

The Authority borrowed and invested substantial sums of money and is potentially exposed to financial risk from loss of invested funds and the revenue impact from changing interest rates. This report covers activity on treasury managed investments and borrowings and the associated monitoring and control.

The Council maintained a prudent treasury position during 2025/26, achieving higher than benchmark investment returns whilst managing borrowing costs below budget. However, rising long-term interest rates and an increasing reliance on short-term borrowing present potential future financing and affordability risks.

RECOMMENDATIONS

- To note the content of treasury management activities and performance against targets for the financial year 2025/26 as detailed in the report.

KEY HIGHLIGHTS

- Investment income from treasury investments for 2025/26 was £4.4m
- Interest payable as a result of debt for 2025/26 was £22.2m
- The Authority's long term debt is fixed at an average rate of 3.49%.
- During the period February 2026 through to March 2026 new 1-2 year PWLB loans were taken totalling £320m at an average rate of 4.07%.
- During the year treasury exceeded its Investment benchmark of SONIA @4.01% delivering a yield of 4.48%, (+0.47%)
- During 2025/26 this Authority's treasury activities remained within the treasury limits and prudential indicators set out in the TMSS.

REPORT DETAIL

1. Background

1.1. Introduction

This Authority is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2025/26. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the TM Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

During 2025/26 the minimum reporting requirements were that the Authority should receive the following reports:

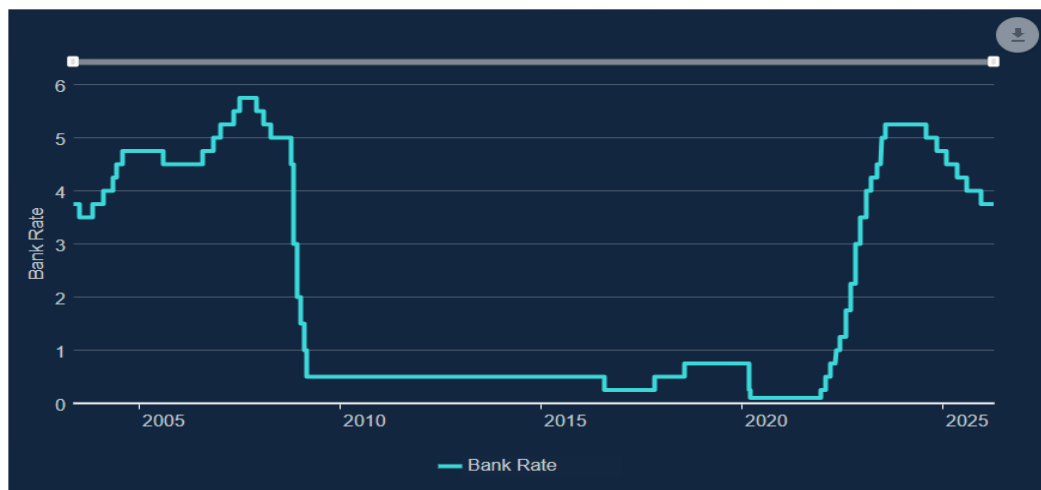
- An annual treasury strategy in advance of the year (Council 4 March 2025)
- A mid-year, treasury update report (Audit Committee meeting 24 November 2025)
- An annual review following the end of the year describing the activity compared to the strategy (this report).

The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Authority's policies previously approved by Members.

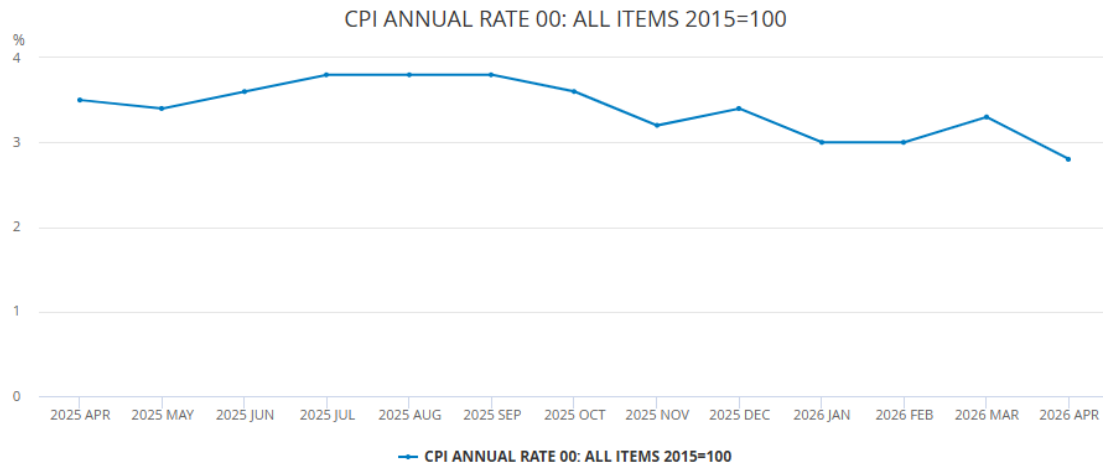
1.2. Economic

The Bank of England (BoE) Monetary Policy Committee (MPC) continued to ease monetary policy, cutting the Bank Rate in stepped reductions of 0.25% from 4.50% in April 2025 to 3.75% by the end of the financial year, see chart below.

Bank Rate over time



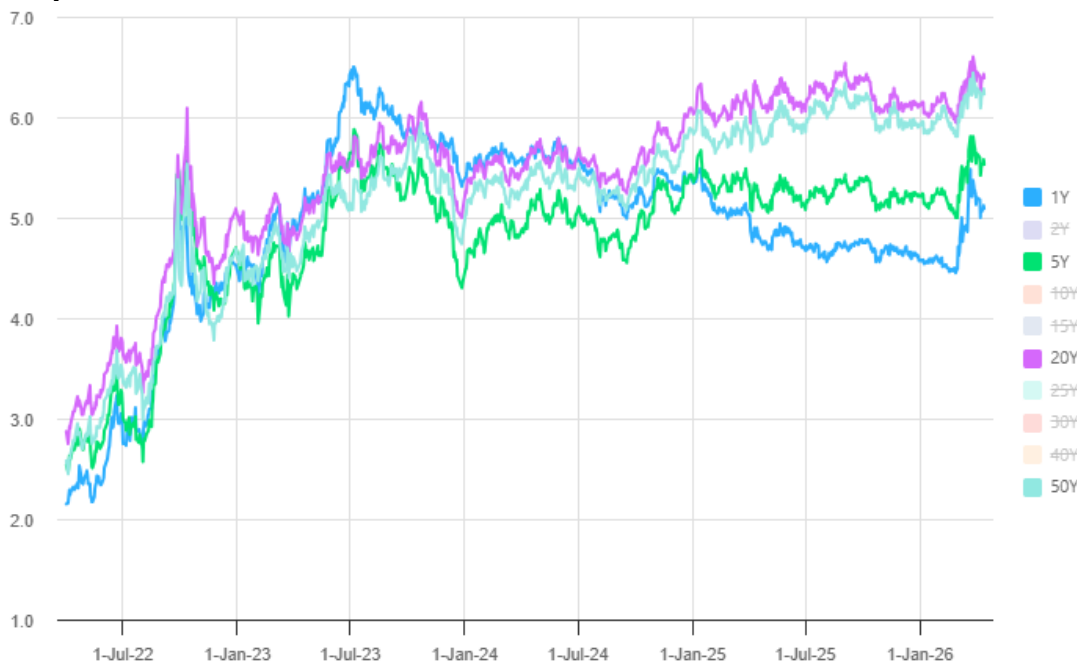
UK Inflation as measured by the CPI was range bound during the year starting at 3.5% and reaching a low of 3.0% in both January and February 2026, above the (BoE) target rate of 2%.



Due to the current middle east tensions and rising energy prices, inflation is set to increase in the near term widening the gap between the target and the published rate.

UK Gilt yields (which drive PWLB interest rates) gradually fell during the year until the outbreak of war in the Middle East causing them to spike higher in March. Base rate cut expectations changed from pricing in 3 cuts in 2026/27 to currently now pricing in 1 increase. Longer term rates are still elevated and unattractive compared to shorter maturities < 5 years, see chart below.

Graph 1: PWLB Standard Rate 2022/25



The above graph and economic position continue to support the borrowing strategy followed in 2025/26 and set out in detail within the 2025/26 Treasury Management Strategy Statement of keeping loan duration short and only borrowing when liquidity requires it.

Treasury Management Summary

1.3 The treasury management activity in year is shown in table 1 below:

Table 1: Treasury management summary as at 31 March 2026

	01.04.25		31.03.26	2025-26	2025-26	2025-26
	Opening Balance	Movement	Closing Balance	Interest	Average Balance	Weighted Average Rate
	£m	£m	£m	£m	£m	%
LONG-TERM BORROWING						
PWLB	600.124	22.972	623.096	21.783	594.183	3.67%
LOBO	7.000	0.000	7.000	0.252	7.000	3.60%
Short-term borrowing	0.472	0.406	0.878	0.184	4.242	4.34%
Total borrowing	607.596	23.378	630.974	22.219	605.425	3.67%
INVESTMENTS						
Short-term investments	117.000	-62.000	55.000	4.442	99.111	4.48%
Total investments	117.000	-62.000	55.000	4.442	99.111	4.48%
Net Debt position	490.596	85.378	575.974	17.777		

1.4 The Net Debt position (gross borrowings less investments) has increased in year by £85m. £23m of this relates to an increase in actual debt taken out in year and £62m from a reduction in investments resulting in higher levels of internal borrowing.

2. Borrowing strategy

2.1 Table 2 sets out the change in the Authority's Capital Financing Requirement (CFR) in 2025/26 – this measures how the Authority's underlying borrowing need has changed in year as a result of activity on its approved capital programme and how it has been financed. The Authority's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Authority's indebtedness. The CFR results from the capital activity of the Authority and resources used to pay for the capital spend. It represents

prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

- 2.2 An increase in the CFR does not necessarily result in a direct increase in actual borrowing as internal cash balances (generated as a result of reserves and the timing of revenue cash flows) help supplement borrowing and is referred to as internal borrowing. Actual external borrowing depends on the cash position and interest rate forecasts and is set out in the borrowing strategy within the Treasury Management Strategy Statement (TMSS) approved by full Council as part of the budget setting process.
- 2.3 Whilst actual external borrowing may be delayed depending on market conditions, the Authority's capital finance budget (within the MTFs) includes provision to fund the capital programme's full expected borrowing requirement from new long term fixed rate debt. This enables the treasury team in conjunction with the S151 officer, Lead Member and our treasury advisers to react appropriately to the changing market environment.

Table 2: CFR and its financing 2025/26

	01/04/25 Actual £m	31/03/26 Budget £m	31/03/26 Actual £m
GF CFR	286	450	331
HRA CFR	431	543	475
Total CFR	717	993	810
Financed by:			
External Long Term Debt	607	885	631
External Short Term Debt	0	0	0
Internally Borrowed Cash Position	110	108	179

- 2.4 The short-term strategy as set out in the TMSS involved using the Authority's cash balances to fund the majority of the 2025/26 borrowing requirement in the capital programme. In addition, 1-2 year borrowing for the HRA was entered into between February & March 2026 totalling £320m, at an aggregate rate of 4.07% to refinance in-year maturing debt of £297m.
- 2.5 Interest rates and other market data will continue to be monitored to ensure the increase in the internally borrowed position is prudent and interest rate risk associated with having an internally borrowed position is managed in accordance with the TMSS. The current approach of deferring long-term

borrowing increases interest rate volatility and will require reassessment during 2026/27.

- 2.6 The Authority's debt portfolio as at 31st March 2026 was £631m and is fixed at an average rate of 3.49% with an average duration of 11.9 years.
- 2.7 The debt maturity structure is shown in the table 3 below and in further detail in appendix A, section 1.1

Table 3: Debt Maturity structure

Maturity	Amount £m	% of Total Debt
Under 12 months	166.6	26.41%
Above 12 months and within 24 months	187.5	29.72%
Above 24 months and within 5 years	51.5	8.17%
Above 5 years and within 10 years	49.6	7.86%
10 years and above	175.7	27.84%

- 2.8 As described above the Authority has balanced the need to minimise the costs from funding the CFR by using internal cash balances and defer the drawdown of more expensive long term debt against the protection it offers in reducing interest rate risk and stabilising capital finance costs in the budget strategy. Slippage on the capital programme in 2025/26 and a reduction in the amount of exceptional financial support needed for 25/26 has meant the Authority's cash balances have only reduced by £62m and Net Debt, (External Debt minus Investments) has increased by £85m. This strategy of deferring long term borrowing resulted in significant savings in the 2025/26 capital finance budget as detailed in table 4 below.

Table 4: Capital finance outturn 2025/26

	£m
Interest Payable	
Budget	25.9
Outturn	22.2
(Underspend) / Overspend	(3.7)
Interest Receivable	
Budget	(4.5)
Outturn	(4.4)
(Underspend) / Overspend	0.1
Net interest (underspend) / overspend	(3.6)

2.9 Debt Rescheduling

The possibility of debt rescheduling was regularly discussed with our treasury adviser. The current PWLB rules on redemption remain prohibitive and costly.

2.9.1 LOBO Loan

In addition to the PWLB debt, the Authority holds a £7m LOBO (Lender Option, Buyer Option) loan with Danske Bank who has the option to propose an increase in the interest rate at set dates, the Authority then has the option to either accept the new rate or to repay the loan at no additional cost. Danske Bank have indicated there is a very low probability they will alter the rate in the foreseeable future. Officers will continue to monitor and liaise with Danske Bank going forward.

3. Investment strategy

3.1 The Authority's cash investments fell during the year as proceeds from PWLB issuance (£320m) were received to refinance maturing debt of £293m and increase in the internal borrowing position as a result of 2025/26 capital spend. Investments fell from £117.0m to end the year at £55.0m, as shown in Table 5 below.

3.2 The Guidance on Local Government Investments in England gives priority to security and liquidity and yield in that order. Officers kept treasury investments in short-term instruments in 2025/26 less than 1 year so they could be used to fund the capital programme whilst maintaining a liquidity buffer of £40m as a contingency against any future credit crisis.

Table 5: Treasury investment activity 2025/26

	01.04.25		31.03.26	
	Opening Balance	Movement	Closing Balance	Closing Interest rate %
	£m	£m	£m	£m
Investments				
Local Authorities	80.000	-25.000	55.000	4.68%
Debt Management Office (DMO)	37.000	-37.000	0.000	0.00%
Total Investments	117.000	-62.000	55.000	4.68%

3.3 All treasury investments made during 2025/26 were in accordance with the investment strategy and because of the short-term nature of the investments all were with other local authorities (or similar) or with the Debt Management Office.

Appendix A details the authority's Investments broken down by counterparty, amount and interest rate.

4. Budgeted Income and Return

4.1 The authority measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates, as shown in table 6 below:

Table 6: Treasury investment performance 2025/26

	Benchmark Sonia *	Actual Weighted Rate of Return achieved	Over / (Under) Performance against benchmark
2025/2026	4.01%	4.48%	0.47%
2024/2025 (for comparison)	4.82%	5.26%	0.44%
2023/2024 (for comparison)	4.64%	5.04%	0.40%

*SONIA is the Sterling Overnight Index Average and is administered by the Bank of England

5. Regulatory Changes

5.1 There were no regulatory changes in 2025/26.

6. Compliance with Treasury and Prudential Limits

6.1 The Authority has fully complied with the CIPFA Treasury Management Code and Prudential Code during 2025/26. It has operated within the treasury limits and Prudential Indicators set out in the authority Treasury Management Strategy Statement and in compliance with the authority's Treasury Management Practices. An update on indicators and limits are reported in Appendix A of this report.

6.2 The Council has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed. This is demonstrated in table 2 above where our actual external debt of £631m is below our Capital Financing Requirement (or underlying need to borrow for capital purposes) of £806m.

7. Treasury Management Advice

7.1 The Authority uses MUFG Corporate Markets (previously known as Link Asset Services) Treasury Solutions as its external treasury management advisor.

The Authority recognises that responsibility for treasury management decisions remains with the organisation at all times. All decisions will be undertaken with regards to all available information, including, but not solely our treasury adviser.

IMPLICATIONS AND RISKS

Financial implications and risks:

Financial implications are contained throughout the body of the report, but it is worth stating that risk is inherent in all treasury activity. Treasury management exposes the Council to a number of financial risks. The most significant are liquidity risk, interest rate and refinancing risks (arising from the current strategy of internal and short-term borrowing) and credit risk.

Liquidity risk is managed through maintaining a minimum cash buffer of £40m, which has been sufficient throughout the year.

Interest rate and refinancing risk is managed through the Authority's Borrowing Strategy which sets out the various risks associated with undertaking various strategies.

Credit risk is addressed via the Investment Strategy which identifies the risk associated with different classes of investment instruments and sets the parameters within which treasury activities can be undertaken and controls and processes appropriate for that risk. Credit risk remains low, with an average investment portfolio rating of AA and no defaults during the year.

Treasury operations are undertaken by nominated officers as prescribed by the Treasury Management Policy Statement as approved by the Council.

Legal implications and risks:

Part 3 of the Constitution outlines the Responsibility for Functions, to include the Terms of Reference for Audit Committee. The Committee has responsibility to consider and monitor the adequacy and effectiveness of the Council's risk management and internal control environment and to make recommendations to Full Council where necessary. The arrangements addressed in this report provide controls and risk management.

The Local Government Act 2003 grants powers to local authorities to borrow and invest and provides for some controls on this activity. In exercising its powers, a local authority must “have regard” to

- (a) such guidance as the Secretary of State may issue, and
- (b) to such other guidance as the Secretary of State may by regulations specify.

The Local Authorities (Capital Finance and Accounting) Regulations 2003 requires local authorities to undertake any borrowing activity with regard to: the CIPFA Prudential Code and Treasury activity generally with regard to the CIPFA Code of Practice for Treasury Management and Cross Sectoral Guidance Note. Within the Code there is a requirement to document Treasury Management Policies and Practice Notes dealing with the detail day-to-day processes within the treasury function. The guidance on Local Government Investments provides that a local authority should prepare an Investment Strategy.

This report outlines the treasury management activities in relation to managed investments and borrowing, associated monitoring and control in line with the Borrowing and Investment Strategy.

This report covers activity on treasury managed investments and borrowings and the associated monitoring and control.

Human Resources implications and risks:

There are no HR implications from this report

Equalities implications and risks:

There are no Equalities implications arising from this report.

The report has no direct equalities implications.

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have ‘due regard’ to:

- (i) The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- (ii) The need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- (iii) Foster good relations between those who have protected characteristics and those who do not.

Note: ‘Protected characteristics’ are age, disability, gender reassignment, marriage and civil partnerships, pregnancy and maternity, race, religion or belief, sex/gender, and sexual orientation.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants.

Health and Wellbeing implications and risks:

The Council is committed to improving the quality of life and wellbeing for all Havering employees and residents in respect of socio-economics and health determinants. Whilst there are no direct implications to the Council's workforce and residents health and wellbeing as a result of this report.

BACKGROUND PAPERS

None

Compliance Report

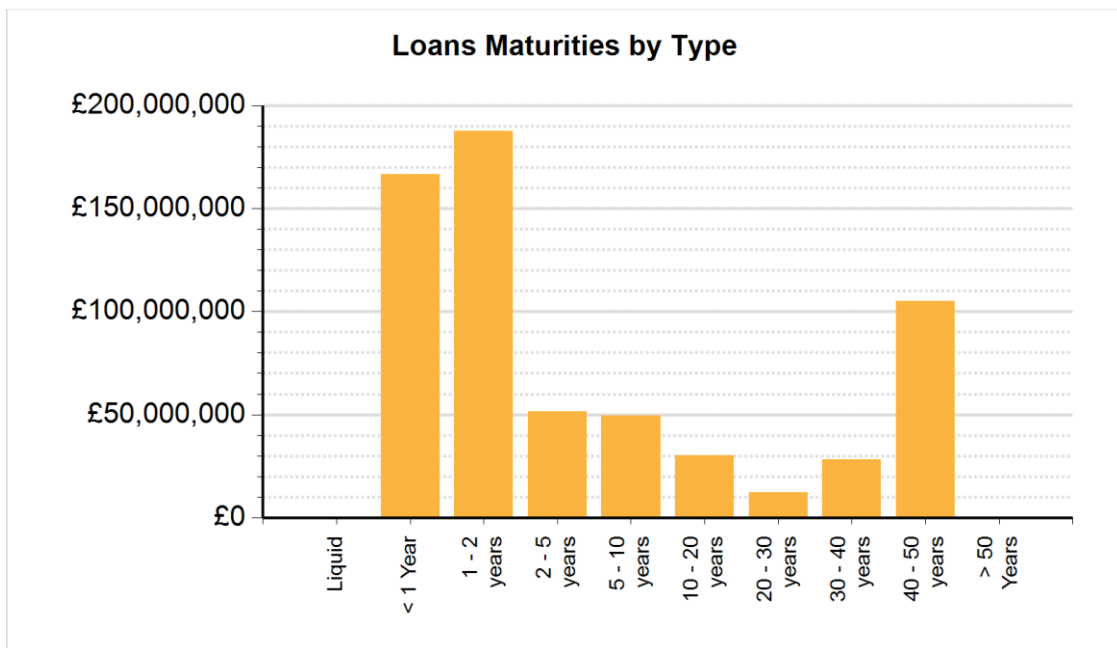
All treasury management activities undertaken during the financial year complied fully with the CIPFA Code of Practice and the authority’s approved Treasury Management Strategy. Compliance with specific treasury limits is demonstrated in tables below.

1.1 Maturity Structure of Borrowing

1.1 This indicator is set to control the Authority’s exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

Table 1: Loan maturity structure

	Upper Limit	Lower Limit	Actual
Under 12 months	50%	0%	26.41%
Above 12 months and within 24 months	60%	0%	29.72%
Above 24 months and within 5 years	80%	0%	8.17%
Above 5 years and within 10 years	100%	0%	7.86%
10 years and above	100%	0%	27.84%



Total			
Amount	% of Total	Rate	Duration
	0.00%		
£166,624,800	26.41%	3.84%	0.90 years
£187,503,906	29.72%	4.10%	1.78 years
£51,532,612	8.17%	3.29%	3.92 years
£49,574,400	7.86%	3.34%	7.00 years
£30,178,105	4.78%	3.50%	16.01 years
£12,242,606	1.94%	3.94%	29.42 years
£28,317,693	4.49%	5.13%	33.16 years
£105,000,000	16.64%	1.53%	44.73 years
	0.00%		
£630,974,121	100.00%	3.49%	11.90 years

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment. The average duration of the debt portfolio is 11.9 years.

1.2 Investment portfolio position as at 31/3/26

Class	Deal Ref	Start / Purchase Date	Maturity Date	Counterparty	Rate	Principal O/S (£)
Deposit	4731	02/02/26	05/05/26	Flintshire County Council	4.8000%	2,000,000.00
Deposit	4732	02/03/26	02/06/26	Flintshire County Council	4.8000%	3,000,000.00
Deposit	4746	25/02/26	26/05/26	Bournemouth, Christchurch & Poole Council	4.6000%	5,000,000.00
Deposit	4771	20/03/26	18/12/26	Moray Council	4.6000%	5,000,000.00
Deposit	4774	27/02/26	28/08/26	Telford and Wrekin Borough Council	4.5000%	5,000,000.00
Deposit	4793	24/02/26	24/11/26	Wrexham County Borough Council	4.5500%	5,000,000.00
Deposit	4796	19/02/26	18/02/27	Basildon Borough Council	4.5000%	5,000,000.00
Deposit	4797	19/02/26	07/08/26	Leeds City Council	4.5000%	5,000,000.00
Deposit	4799	19/02/26	19/11/26	South Lanarkshire Council	4.5000%	5,000,000.00
Deposit	4808	23/02/26	23/11/26	Blaenau Gwent County Borough Council	4.6000%	5,000,000.00
Deposit	4809	26/02/26	26/11/26	Aberdeen City Council	4.6000%	5,000,000.00
Deposit	4821	27/03/26	09/04/26	West Mercia Police and Crime Commissioner	5.7500%	5,000,000.00
Deposit Total					4.6818%	55,000,000.00

1.2.1 All investments during 2025/26 are consistent with the approved “investment counterparty limits” outlined in the TMSS.

1.3 Principal Sums Invested for Periods Longer than 364 days

- 1.3.1 The purpose of this indicator is to control the authority's exposure to the risk of incurring losses by seeking early repayment of its investments.
- 1.3.2 The limits set in the 2025/26 treasury management strategy in comparison to the 31st March 2026 position is set below. It is the authority's policy to classify investments with maturities exceeding one year as Long term investments.

Table 2: Investments for periods longer than 364 days

	2025/26 Limit	2025/26 Actual
Limit on principal invested beyond year end	£50m	£0m

1.4 Security Treasury Indicator

- 1.4.1 The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. The Credit rating agency Standard & Poor is used to determine credit ratings and deposits with local authorities and other similar organisations are deemed to be equivalent to deposits with the UK Government.

Table 3: Security Treasury Indicator

	2025/26 Target	31/3/26 Actual
Portfolio average credit rating	A+	AA

Standard & Poor long term ratings are used with AA being considered lower risk than A+

1.5 Gross Debt and the Capital Financing Requirement (CFR)

- 1.5.1 In order to ensure that over the medium term debt will only be for a capital purpose, the Authority should ensure that debt does not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years. This is a key indicator of prudence. The estimates below are based on those set out in the approved TMSS 2026/27.

Table 4: Gross debt and the CFR at 31st March 2026

	31/3/26 Actual £m	31/03/27 Estimate £m	31/03/28 Estimate £m	31/03/29 Estimate £m
Long-term External Debt	631	861	1,112	1,354
Short-term External Debt	0	0	0	0
Total Debt	631	861	1,112	1,354
Capital Financing Requirement	810	1,060	1,288	1,498
Internal Borrowing	179	199	176	144

1.5.2 Total debt is expected to remain below the CFR. Officers will draw down long term debt when conditions merit it. Actual debt levels are monitored against the Operational Boundary and Authorised Limit for External Debt as below.

1.6 Operational Boundary for External Debt

1.6.1 The operational boundary is based on the authority's estimate of the most likely, but not worst case scenario for external debt.

Table 5: Operational Boundary

Operational Boundary	2025/26 Limit £m	31/3/26 Actual £m	31/6/26 Forecast £m
Borrowing	900	631	631
Other Long-Term Liabilities	10	9	9
Total Limit	910	950	950

1.7 Authorised Limit for External Debt

1.7.1 The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the authority can legally borrow. The authorised limit provides headroom over and above the operational boundary for unusual cash movements

Table 6: Authorised limit for external debt

Authorised Limit	2025/26 Limit £m	31/3/26 Actual £m	31/6/26 Forecast £m
Borrowing	950	631	631
Other Long-Term Liabilities	10	9	9
Total Limit	960	1,020	1,020

A bond is a debt instrument in which an investor lends money for a specified period of time at a fixed rate of interest. The issuing entity could be corporate, financial or government.

A floating rate note (FRN) is a money market instrument with a Floating/variable rate of interest, which re-fixes over a reference rate, for example 3 month LIBOR.

Bail in is rescuing a financial institution on the brink of failure by making its creditors and depositors take a loss on their holdings. A **bail-in** is the opposite of a **bail-out**, which involves the rescue of a financial institution by external parties, typically governments using taxpayer's money.

Borrowing Requirements The principal amount the Council requires to borrow to finance capital expenditure and loan redemptions.

Capital Financing Requirement (CFR) Capital Financing Requirement- a measure of the Council's underlying need to borrow to fund capital expenditure.

Certificates of deposit (CDs) are a negotiable form of fixed deposit, ranked pari passu with fixed deposits. The difference is that you are not obligated to hold the CD to maturity, you can realise the cash by selling in the secondary market.

Coupon is the total amount of interest a security will pay. The coupon period depends on the security. A CD will often pay interest at maturity, while a bond may pay semi-annually or annually and an FRN will most likely pay every 3 months.

Covered bond Covered bonds are conventional bonds (fixed or floating) issued by financial institutions, that are backed by a separate group of loans, usually prime residential mortgages. This lowers the creditor's exposure to default risk, enhancing the credit. This is why the issue is usually rated AAA, higher than the rating given to the issuer reduces exposure to bail-in risk.

Counterparties Organisations or Institutions the Council lends money to e.g. Banks; Local Authorities and MMFs.

CPIH (Consumer Prices Index including owner occupiers' housing costs) The new additional measure of consumer price inflation including a measure of owner occupiers' housing costs (OOH). CPI inflation measure excludes housing costs.

CPI (Consumer Prices Index) this measure excludes housing costs.

Credit Default Swap (CDS) A kind of protection that can be purchased by MMF companies from insurance companies (for their investment) in exchange for a payoff if the organisation they have invested in does not repay the loan i.e., they default.

Credit rating A measure of the credit worthiness of a borrower. A credit rating can be assigned to country, organisation or specific debt issue/ financial obligation. There are a number of credit ratings agencies but the main 3 are Standard & Poor's, Fitch or Moody's.

Credit Watch A scoring system issued by credit rating agencies such as Fitch, Moody's and Standard & Poors that indicate the financial strength and other factors of a bank or similar Institution.

DMO (Debt Management Office) a department in the treasury where deposits can be placed with the government.

Interest Rate Exposures A measure of the proportion of money invested and what impact movements in the financial markets would have on them.

LOBO Loan (Lender Option, Buyer Option) loan, the lender who has the option to propose an increase in the interest rate at set dates, while the borrower has the option to either accept the new rate or to repay the loan at no additional cost.

Market Loans Loans from banks available from the London Money Market including LOBOS (Lender Option, Borrowing Option) which enable the authority to take advantage of low fixed interest for a number of years before an agreed variable rate comes into force.

MIFID is the Markets in Financial Instruments Directive. A European Union Directive.

Minimum Revenue Provision (MRP) This is the amount which must be set aside from the revenue budget each year to cover future repayment of loans.

Money Market Fund (MMF) A 'pool' of different types of investments managed by a fund manager that invests in lightly liquid short term financial instruments with high credit rating.

Monetary Policy Committee (MPC) is a committee of the [Bank of England](#), which meets for three and a half days, eight times a year, to decide the official [interest rate](#) in the [United Kingdom](#) (the [Bank of England Base Rate](#)).

Principal is the total amount being borrowed or lent.

PWLB Loan, (Public Works Loan Board),The PWLB lending facility is operated by the UK Debt Management Office (DMO) on behalf of HM Treasury and provides loans

to local authorities, and other specified bodies, from the National Loans Fund, operating within a policy framework set by HM Treasury.

SONIA sterling overnight interest average rate, the average rate at which banks offer funds in the overnight sterling market.

Spread is the difference between the buy and sell price of a security. It can also be the gap, usually in basis points, between the yield of a security and the benchmark security.

Treasury bills (T-bills) are UK government rated, short-dated form of Government debt, issued by the Debt Management Office (DMO) via a weekly tender. T-bills are normally issued for one, three or six month duration