



To: The Executive Councillor for Finance & Resources:  
Report by: Head of Finance (The Council's Section 151 Officer)  
Relevant scrutiny Strategy & Resources 13/7/2015  
committee: Scrutiny Committee  
Wards affected: All Wards

## **ANNUAL TREASURY MANAGEMENT (OUTTURN) REPORT 2014/15**

### **Key Decision**

#### **1. Executive summary**

- 1.1 The Council is required by regulations issued under the Local Government Act 2003, to produce an annual treasury report reviewing treasury management activities and the actual prudential and treasury indicators for each financial year.
- 1.2 This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) in respect of 2014/15.
- 1.3 During 2014/15 the minimum requirements were that Council should receive:-
  - An annual strategy in advance of the year
  - A mid-year treasury update report
  - An annual review following the end of the year describing the activity compared to the strategy (this report)
- 1.4 In line with the above Code of Practice, all treasury management reports have been presented to both Strategy & Resources Scrutiny Committee and to full Council.

#### **2. Recommendations**

- 2.1 The Executive Councillor is asked to recommend this report to Council, which includes the Council's actual Prudential and Treasury Indicators for 2014/15.

2.2 The Executive Councillor is also asked to recommend to Council changes (shown in bold) to our Counterparty List as highlighted within Appendix D.

### **3. Background**

3.1 This report summarises:

- Capital expenditure and financing activity during the year;
- The impact of capital spending on the Council's 'need to borrow';
- The Council's compliance with prudential & treasury indicators;
- Treasury Management Position as at 31st March 2015 (Appendix A);
- The Council's Treasury Management advisors (Capita Treasury Solutions Ltd) view on UK Interest & Investment rates (Appendix B);
- The actual prudential and treasury indicators (Appendix C);
- Counterparty List (Appendix D); and;
- A Glossary of Terms and Abbreviations (Appendix E)

### **3.2 The Council's Capital Expenditure and Financing 2014/15**

The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, developer contributions, revenue contributions, reserves etc.), which has no resultant impact on the Council's borrowing need; or;
- If insufficient financing is available, or a decision is taken not to apply other resources, the funding of capital expenditure will give rise to a borrowing need.

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

|  | 2013/14<br>£'000<br>Actual | 2014/15<br>£'000<br>Original<br>Estimate * | 2014/15<br>£'000<br>Actual |
|--|----------------------------|--|----------------------------|
| Non-HRA capital expenditure  | 7,425                      | 18,199                                     | 7,162                      |
| HRA capital expenditure  | 16,675                     | 32,839                                     | 23,402                     |
| <b>Total capital expenditure</b>                                   | <b>24,100</b>              | <b>51,038</b>                              | <b>30,564</b>              |
|  |                            |  |                            |
| <b>Resourced by:</b>   |                            |  |                            |
| • Capital receipts   | -3,413                     | -6,405                                     | -7,178                     |
| • Other contributions  | -20,384                    | -37,360                                    | -23,182                    |
| <b>Total available resources for financing capital expenditure</b> | <b>-23,797</b>             | <b>-43,765</b>                             | <b>-30,360</b>             |
| <b>Un-financed capital expenditure</b>                             | <b>303</b>                 | <b>7,273**</b>                             | <b>204</b>                 |

\* Per Budget Setting Report (BSR) agreed by Council on 27<sup>th</sup> February 2014

\*\* £2,804m (Clay Farm Community Centre) & £4,469m (Affordable Housing Projects)

### 3.3 The Council's overall borrowing need

During 2014/15, there was no requirement for external borrowing. Un-financed capital expenditure for the Clay Farm Collaboration Agreement of £204,000 shown above, was met temporarily from internal cash borrowing, until the expected future capital receipt is received.

### 3.4 Current Debt as at 31<sup>st</sup> March 2015

The table below shows the Council's current outstanding debt and headroom (the amount of additional borrowing that is possible without breaching the Authorised Borrowing Limit):-

|   | Principal (£'000) |
|---|-------------------|
| Authorised Borrowing Limit (A) – Agreed by Council on 20 <sup>th</sup> October 2011 | 250,000           |
| HRA Debt Limit (B)  | 230,839           |
| PWLB Borrowing (for HRA Self-Financing, C)  | 213,572           |
| General Fund Headroom (A minus B)   | 19,161            |
| HRA Headroom (B minus C)  | 17,267            |
| 2012/13, 2013/14 and 2014/15 External Borrowing                                     | NIL               |
| <b>Total Current Headroom (A minus C)</b>   | <b>36,428</b>     |

At present the only debt held by the authority relates to the twenty loans from the PWLB for self-financing the HRA.

### 3.5 Treasury Position as at 31 March 2015

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

All funds are internally managed.

The tables below provide a comparison of deposit activity and outturn for 2014/15 against 2013/14.

| <b><u>Actual Returns</u></b>          | 2013/2014             |                        | 2014/2015             |                        |
|---------------------------------------|-----------------------|------------------------|-----------------------|------------------------|
|                                       | Average Deposits (£m) | Average Rate of Return | Average Deposits (£m) | Average Rate of Return |
| Fixed Short-Term (<365 days)          | 49.21                 | 0.64%                  | 60.23                 | 0.70%                  |
| Call/Overnight Accounts               | 33.99                 | 0.64%                  | 32.79                 | 0.57%                  |
| Fixed Long-Term (>365 days)           | 0.65                  | 1.09%                  | 5.38                  | 1.06%                  |
| Money Market Funds                    | -                     | -                      | 5.18                  | 0.47%                  |
| CCLA Local Authorities' Property Fund | -                     | -                      | 1.62                  | 4.75%                  |
| <b><u>Overall Deposit Return</u></b>  | <b>83.85</b>          | <b>0.64%</b>           | <b>105.20</b>         | <b>0.73%</b>           |
| <b><u>Benchmark Returns</u></b>       | 2013/2014             |                        | 2014/2015             |                        |
|                                       | Offer (LIBOR)         | Bid (LIBID)            | Offer (LIBOR)         | Bid (LIBID)            |
| <b>Average</b>                        | <b>0.57%</b>          | <b>0.45%</b>           | <b>0.61%</b>          | <b>0.49%</b>           |

#### **Notes:**

The 'Benchmark Return' figures are based upon Global Rates (national interest rate reporting web-site) average money market LIBOR and LIBID rates for periods between 1 night and 1 year as at 31<sup>st</sup> March 2015.

The use of new financial instruments to the Council, such as Money Market Funds as an alternative to the HSBC overnight deposit account for larger sums, and the CCLA Local Authorities' Property Fund, contributed to obtaining a higher yield in 2014/15 than in 2013/14.

- 3.6 Total interest and dividends of £758,000 has been earned on the Council's deposits during 2014/15 at an average rate of 0.73%. This exceeded the budget of £688,000. The rate of return compares favourably with the average benchmark rates.
- 3.7 The Council deposited £10m with the CCLA Local Authorities' Property Fund on 29<sup>th</sup> January 2015. The interest earned for 2014/15 amounted to £75,000 (included in paragraph 3.6) which equated to an annual yield of 4.75% on the original deposit.
- 3.8 A summary of deposits is shown at Appendix A.

#### **4. Interest Rate Update**

- 4.1 Capita Asset Services is the Council's independent treasury advisor. In support of effective forecasting the Council needs to be aware of the potential influence of market interest & investment rates for the Council. Capita's opinion is presented at Appendix B, and provides an overview as at 31<sup>st</sup> March 2015.
- 4.2 The Bank of England's May 2015 Inflation Report gives additional information on growth, inflation and interest rates. The Bank of England Monetary Policy Committee (MPC) noted that the outlook for growth remains solid. Household real incomes have been boosted by the fall in food, energy (including oil prices) and imported goods prices. The absorption in remaining slack and a pick-up in productivity growth are expected to support wage growth in the period ahead.

CPI inflation was 0.0% in March 2015 and this continued to impact on the annual rate. Inflation is likely to rise notably around the turn of the year as those factors begin to drop out. The MPC judges that it is currently appropriate to set policy so that inflation will return to the 2% target within 2 years.

#### **5. Prudential and Treasury Indicators**

- 5.1 During the financial year the Council operated within the 'authorised' and 'operational' borrowing limits contained within the Prudential Indicators set out in the Council's Treasury Management Strategy

Statement. The outturn for Prudential and Treasury Indicators is shown in Appendix C.

## **6. Revisions to the Counterparty List**

- 6.1 Following a review of rating agency methodology changes, Capita continues to revise its recommendations on counterparties and appropriate durations.
- 6.2 To keep up to date with these changes, it is recommended that our counterparty list is amended in line with the above changes to include any UK Banking Institutions that meet Capita's criteria. These are shown within Appendix D.

## **7. Implications**

### **(a) Financial Implications**

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

### **(b) Staffing Implications**

None.

### **(c) Equality & Poverty Implications**

No negative impacts identified.

### **(d) Environmental Implications**

None.

### **(e) Procurement**

None.

### **(f) Consultation and communication**

None required.

### **(g) Community Safety**

No community safety implications.

## **8. Background papers**

8.1 None.

## **9. Appendices**

- 9.1 Appendix A – The Council's deposits as at 31<sup>st</sup> March 2015  
Appendix B – Capita's opinion on UK interest rates  
Appendix C – Prudential Indicators – outturn for 2014/15  
Appendix D – Current Counterparty List showing any changes  
Appendix E – Glossary of Terms and Abbreviations

## **10. Inspection of papers**

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

Author's Name:  
Author's Tel. No.  
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## TREASURY MANAGEMENT POSITION AS AT 31<sup>st</sup> March 2015

### CURRENT DEPOSITS

The Council's current deposits are summarised (by counterparty) in the table below.

| Counterparty                               | % Rate            | Duration        | Principal (£'000) |
|--|-------------------|-----------------|-------------------|
| <b>Fixed Term Deposits</b>                 |                   |                 |                   |
| Bank of Scotland Plc                       | 1.00              | 1 year          | 3,000             |
| Bank of Scotland Plc                       | 1.00              | 1 year          | 3,000             |
| Bank of Scotland Plc                       | 1.00              | 1 year          | 2,000             |
| Bank of Scotland Plc                       | 1.00              | 1 year          | 2,000             |
| Bank of Scotland Plc                       | 1.00              | 1 year          | 2,000             |
| Bank of Scotland Plc                       | 1.00              | 1 year          | 3,000             |
| Lloyds TSB Bank Plc                        | 1.00              | 1 year          | 3,000             |
| Lloyds TSB Bank Plc                        | 1.00              | 1 year          | 2,500             |
| Lloyds TSB Bank Plc                        | 1.00              | 1 year          | 2,500             |
| Lloyds TSB Bank Plc                        | 1.00              | 1 year          | 1,000             |
| Lloyds TSB Bank Plc                        | 0.80              | 9 months        | 3,000             |
| Lloyds TSB Bank Plc                        | 0.70              | 6 months        | 3,000             |
| Nationwide BS                              | 0.66              | 6 months        | 1,000             |
| Nationwide BS                              | 0.66              | 6 months        | 2,000             |
| Nationwide BS                              | 0.66              | 6 months        | 1,500             |
| Nationwide BS                              | 0.66              | 6 months        | 2,000             |
| Nationwide BS                              | 0.66              | 6 months        | 1,000             |
| Nationwide BS                              | 0.66              | 6 months        | 3,000             |
| Nationwide BS                              | 0.61              | 6 months        | 500               |
| The Royal Bank of Scotland                 | 0.91              | 1 year          | 5,000             |
| The Royal Bank of Scotland                 | 0.86              | 1 year          | 5,000             |
| Standard Chartered Bank                    | 0.66              | 6 months        | 7,000             |
| Newport City Council                       | 1.10              | 28 months       | 3,000             |
| Newport City Council                       | 1.00              | 28 months       | 3,000             |
| Cheshire West & Cheshire Council           | 1.15              | 2 years         | 2,000             |
| Thurrock Borough Council                   | 0.50              | 4 months        | 5,000             |
| Wolverhampton City Council                 | 1.00              | 18 months       | 3,000             |
| <b>Total Fixed Term Deposits</b>           |                   |                 | <b>74,000</b>     |
| <b>Variable Rate Notice Accounts</b>       |                   |                 |                   |
| Barclays Bank Plc                          | 0.66369           | 100 Day Notice  | 18,000            |
| HSBC Bank Plc                              | 0.35              | Same Day Notice | 900               |
| CCLA Local Authorities' Property Fund      | Variable dividend | 5 years         | 10,000            |
| Ignis Sterling Liquidity Fund (Class 2)    | 0.47074           | Same Day Notice | 5,500             |
| <b>Total Variable Rate Notice Accounts</b> |                   |                 | <b>34,400</b>     |
| <b>TOTAL</b>                               | <b>-</b>          | <b>-</b>        | <b>108,400</b>    |

The above deposits include any forward-deals or forward-renewals that have been agreed (i.e. where the deposit/renewal will take place at a future date).



## **CAPITA'S OPINION ON UK INTEREST & INVESTMENT RATES AS AT 31<sup>ST</sup> MARCH 2015**

The original market expectation at the beginning of 2014/15 was for the first increase in Bank Rate to occur in quarter 1 2015 as the unemployment rate had fallen much faster than expected through the Bank of England's initial forward guidance target of 7%. In May, however, the Bank revised its forward guidance. A combination of very weak pay rises and inflation above the rate of pay rises meant that consumer disposable income was still being eroded and in August the Bank halved its forecast for pay inflation in 2014 from 2.5% to 1.25%. Expectations for the first increase in Bank Rate therefore started to recede as growth was still heavily dependent on buoyant consumer demand. During the second half of 2014 financial markets were caught out by a halving of the oil price and the collapse of the peg between the Swiss franc and the euro. Fears also increased considerably that the ECB was going to do too little too late to ward off the threat of deflation and recession in the Eurozone. In mid-October, financial markets had a major panic for about a week. By the end of 2014, it was clear that inflation in the UK was going to head towards zero in 2015 and possibly even turn negative. In turn, this made it clear that the MPC would have great difficulty in starting to raise Bank Rate in 2015 while inflation was around zero and so market expectations for the first increase receded back to around quarter 3 of 2016.

Gilt yields were on a falling trend for much of the last eight months of 2014/15 but were then pulled in different directions by increasing fears after the anti-austerity parties won power in Greece in January; developments since then have increased fears that Greece could be heading for an exit from the euro. While the direct effects of this would be manageable by the EU and ECB, it is very hard to quantify quite what the potential knock on effects would be on other countries in the Eurozone once the so called impossibility of a country leaving the EZ had been disproved. Another downward pressure on gilt yields was the announcement in January that the ECB would start a major programme of quantitative easing, purchasing EZ government and other debt in March. On the other hand, strong growth in the US caused an increase in confidence that the US was well on the way to making a full recovery from the financial crash and would be the first country to start increasing its central rate, probably by the end of 2015. The UK would be closely following it due to strong growth over both 2013 and 2014 and good prospects for a continuation into 2015 and beyond.

The UK coalition Government maintained its tight fiscal policy stance but recent strong economic growth and falling gilt yields led to a reduction in the forecasts for total borrowing in the March budget.

### **CAPITA'S PREDICTION FOR INTEREST RATES**

The following table shows when Capita predict interest rates will rise, together with an estimate of other interest rates. Capita estimate that the Bank Rate will rise from 0.50% to 0.75% in June 2016, as issued by Capita on 20<sup>th</sup> May 2015:-

|                       | NOW  | Jun-15 | Sept-15 | Dec-15 | Mar-16 | June-16 | Sep-16 | Dec-16 | Mar-17 | Jun-17 | Sep-17 | Dec-17 | Mar-18 |
|-----------------------|------|--------|---------|--------|--------|---------|--------|--------|--------|--------|--------|--------|--------|
| <b>BANK RATE</b>      | 0.50 | 0.50   | 0.50    | 0.50   | 0.50   | 0.75    | 0.75   | 1.00   | 1.00   | 1.25   | 1.50   | 1.50   | 1.75   |
| <b>3 month LIBID</b>  | 0.52 | 0.50   | 0.50    | 0.60   | 0.70   | 0.80    | 0.90   | 1.10   | 1.30   | 1.40   | 1.50   | 1.80   | 1.90   |
| <b>6 month LIBID</b>  | 0.66 | 0.70   | 0.70    | 0.80   | 0.90   | 1.00    | 1.10   | 1.30   | 1.50   | 1.60   | 1.70   | 2.00   | 2.10   |
| <b>12 month LIBID</b> | 0.98 | 1.00   | 1.00    | 1.10   | 1.20   | 1.30    | 1.40   | 1.60   | 1.80   | 1.90   | 2.00   | 2.30   | 2.40   |
| <b>5 yr PWLB</b>      | 2.10 | 2.20   | 2.30    | 2.40   | 2.50   | 2.60    | 2.80   | 2.90   | 3.00   | 3.10   | 3.20   | 3.30   | 3.40   |
| <b>10 yr PWLB</b>     | 2.80 | 2.80   | 2.90    | 3.00   | 3.20   | 3.30    | 3.40   | 3.50   | 3.70   | 3.80   | 3.90   | 4.00   | 4.10   |
| <b>25 yr PWLB</b>     | 3.40 | 3.50   | 3.60    | 3.70   | 3.80   | 4.00    | 4.10   | 4.20   | 4.30   | 4.40   | 4.40   | 4.50   | 4.60   |
| <b>50 yr PWLB</b>     | 3.40 | 3.50   | 3.60    | 3.70   | 3.80   | 4.00    | 4.10   | 4.20   | 4.30   | 4.40   | 4.40   | 4.50   | 4.60   |

## PRUDENTIAL &amp; TREASURY MANAGEMENT INDICATORS

|  | Actual<br>2013/14<br>£'000 | Original*<br>Estimate<br>2014/15<br>£'000 | Actual<br>2014/15<br>£'000 |
|--|----------------------------|---|----------------------------|
| <b>PRUDENTIAL INDICATORS</b>                               |                            |   |                            |
| <b>Capital expenditure</b>                                 |                            |   |                            |
| - General Fund   | 7,425                      | 18,199                                    | 7,162                      |
| - HRA  | 16,675                     | 32,839                                    | 23,402                     |
| <b>Total</b>   | <b>24,100</b>              | <b>51,038</b>                             | <b>30,564</b>              |
| <b>Incremental impact of capital deposit decisions on:</b> |                            |   |                            |
| Band D Council Tax (City element)                          | 0.00                       | 0.00                                      | 0.00                       |
| Average weekly housing rent                                | 0.00                       | 0.00                                      | 0.00                       |
| <b>Capital Financing Requirement (CFR) as at 31 March</b>  |                            |   |                            |
| - General Fund   | 1,161                      | 3,965                                     | 1,360                      |
| - HRA  | 214,748                    | 219,217                                   | 214,652                    |
| <b>Total</b>   | <b>215,909</b>             | <b>223,182</b>                            | <b>216,012</b>             |
| <b>Change in the CFR</b>                                   | <b>303</b>                 | <b>7,273</b>                              | <b>103</b>                 |
| <b>Deposits at 31 March (Note 2)</b>                       | <b>82,796</b>              | <b>97,600</b>                             | <b>108,400</b>             |
| <b>External Gross Debt</b>                                 | <b>213,572</b>             | <b>213,572</b>                            | <b>213,572</b>             |
| <b>Ratio of financing costs to net revenue stream</b>      |                            |   |                            |
| -General Fund  | (2.77%)                    | (2.44%)                                   | (2.11%)                    |
| -HRA   | 19.50%                     | 19.45                                     | 18.02%                     |
| <b>Total</b>   | <b>16.73%</b>              | <b>17.01</b>                              | <b>15.91%</b>              |

\*Note1: 'Original' refers to the Council's Budget Setting Report 2014/15 as agreed by Council on 27<sup>th</sup> February 2014.

Note 2: As per the Council's Balance Sheet.

## PRUDENTIAL & TREASURY MANAGEMENT INDICATORS

|   | Actual<br>2013/14<br>£'000 | Original*<br>Estimate<br>2014/15<br>£'000 | Actual<br>2014/15<br>£'000 |
|---|----------------------------|---|----------------------------|
| <b>TREASURY INDICATORS</b>  |                            |   |                            |
| <b>Authorised limit</b>   |                            |   |                            |
| for borrowing   | 250,000                    | 250,000                                   | 250,000                    |
| for other long term liabilities   | 0                          | 0   | 0                          |
| <b>Total</b>  | <b>250,000</b>             | <b>250,000</b>                            | <b>250,000</b>             |
| <b>HRA Debt Limit</b>   | <b>230,839</b>             | <b>230,839</b>                            | <b>230,839</b>             |
| <b>Operational boundary</b>   |                            |   |                            |
| for borrowing   | 215,909                    | 223,182                                   | 216,012                    |
| for other long term liabilities   | 0                          | 0   | 0                          |
| <b>Total</b>  | <b>215,909</b>             | <b>223,182</b>                            | <b>216,012</b>             |
| <b>Upper limit for total principal sums deposited for over 364 days &amp; up to 5 years</b> | 5,000                      | 40,000                                    | 40,000                     |
| <b>Upper limit for fixed &amp; variable interest rate exposure</b>                          |                            |   |                            |
| Net interest on fixed rate borrowing/deposits   | 6,916                      | 7,003                                     | 7,003                      |
| Net interest on variable rate borrowing/deposits  | (23)                       | (23)                                      | (23)                       |
| <b>Maturity structure of new fixed rate borrowing</b>                                       |                            | Upper<br>Limit                            | Lower<br>Limit             |
| 10 years and above (PWLB borrowing for HRA Reform)  |                            | 100%                                      | 100%                       |

\*Note1: 'Original' refers to the Council's Budget Setting Report 2014/15 as agreed by Council on 27<sup>th</sup> February 2014.

## Annual Treasury Management (Outturn) Report 2014/15

### Current Counterparty List

The full listing of approved counterparties is shown below, showing the category under which the counterparty has been approved, the appropriate deposit limit and current duration limits. These counterparties have also been shown under Specified and Non-Specified Investments (in line with DCLG Guidance). Recommended changes shown in bold:-

| Name                                     | Council's Current Deposit Period      | Category                      | Limit (£)  |
|--|---------------------------------------|-------------------------------|------------|
| <b>Specified Investments:-</b>           |                                       |                               |            |
| All UK Local Authorities                 | N/A                                   | Local Authority               | 20m        |
| All UK Passenger Transport Authorities   | N/A                                   | Passenger Transport Authority | 20m        |
| All UK Police Authorities                | N/A                                   | Police Authority              | 20m        |
| All UK Fire Authorities                  | N/A                                   | Fire Authority                | 20m        |
| Debt Management Account Deposit Facility | N/A                                   | DMADF                         | Unlimited  |
| Barclays Bank Plc                        | Using Capita's Credit Criteria        | UK Bank                       | 20m        |
| HSBC Bank Plc                            | Using Capita's Credit Criteria        | UK Bank                       | 25m        |
| Standard Chartered Bank                  | Using Capita's Credit Criteria        | UK Bank                       | 20m        |
| Bank of Scotland Plc (BoS)               | Using Capita's Credit Criteria        | UK Bank                       | 20m        |
| Lloyds TSB Bank Plc                      | Using Capita's Credit Criteria        | UK Bank                       | 20m        |
| National Westminster Bank Plc (NWB)      | Using Capita's Credit Criteria        | UK Nationalised Bank          | 20m        |
| Santander UK Plc                         | Using Capita's Credit Criteria        | UK Bank                       | 5m         |
| The Royal Bank of Scotland Plc (RBS)     | Using Capita's Credit Criteria        | UK Nationalised Bank          | 20m        |
| <b>Other UK Banks</b>                    | <b>Using Capita's Credit Criteria</b> | <b>UK Banks</b>               | <b>20m</b> |

| Name   | Council's Current Deposit Period                            | Category  | Limit (£)                                  |
|--|---|---|--|
| Members of a Banking Group (BoS Group includes Lloyds, RBS Group includes NWB) | Using Capita's Credit Criteria                              | UK Banks and UK Nationalised Banks                    | 30m  |
| Deutsche Bank  | Using Capita's Credit Criteria                              | Non-UK Bank   | 5m   |
| Svenska Handelsbanken  | Using Capita's Credit Criteria                              | Non-UK Bank   | 5m   |
| Money Market Funds   | Liquid Rolling Balance                                      | Financial Instrument                                  | 15m (per fund)                             |
| Custodian of Funds   | Requirement for Undertaking Financial Instruments           | Fund Managers   | Up to 15m (per single counterparty)        |
| UK Government Treasury Bills   | Up to 6 months  | Financial Instrument                                  | 15m  |
| <b>Other Specified Investments - UK Building Societies:-</b>                   |   |   |  |
| Name   | Council's Current Deposit Period                            | Asset Value (£'m) – as at 23 <sup>rd</sup> April 2015 | Limit (£)                                  |
| Nationwide Building Society  | 1 month or in line with Capita's Credit Criteria, if longer | 188,889   | Assets greater than £100,000m - £20m       |
| Yorkshire Building Society   |   | 41,779  |  |
| Coventry Building Society  |   | 30,890  |  |
| Skipton Building Society   |   | 15,336  | Assets between £50,000m and £99,999m - £5m |
| Leeds Building Society   |   | 12,220  |  |
| Principality Building Society  |   | 7,108   | Assets between £5,000m and £49,999m - £2m  |
| West Bromwich Building Society   |   | 5,630   |  |
| <b>Non-Specified Investments:-</b>   |   |   |  |
| Name   | Council's Current Deposit Period                            | Category  | Limit (£)                                  |
| All UK Local Authorities – longer term limit                                   | Over 1 year and up to 5 years                               | Local Authority                                       | Up to 30m (in total)                       |
| CCLA Local Authorities' Property Fund*   | Minimum of 5 years  | Pooled UK Property Fund                               | Up to 10m                                  |

| <b>Name</b>   | <b>Council's Current Deposit Period</b> | <b>Category</b>                      | <b>Limit (£)</b>              |
|---|---|--------------------------------------|-------------------------------|
| Certificates of Deposit (with UK Banking Institutions)      | Liquid Rolling Balance                  | Financial Instrument                 | 15m (per single counterparty) |
| Certificates of Deposit (with UK Building Societies)        | Liquid Rolling Balance                  | Financial Instrument                 | 2m (per single counterparty)  |
| Certificates of Deposit (with Foreign Banking Institutions) | Liquid Rolling Balance                  | Financial Instrument                 | 2m (per single counterparty)  |
| Municipal Bonds Agency                                      | N/A                                     | Pooled Financial Instrument Facility | 50,000                        |
| Supranational Bonds – AAA                                   | Using Capita's Credit Criteria          | Multi-lateral Development Bank Bond  | 15m                           |
| UK Government Gilts   | Over 1 year & up to 30 Years            | Financial Instrument                 | 15m                           |

## Treasury Management – Glossary of Terms and Abbreviations

| Term                                    | Definition   |
|---|--|
| Authorised Limit for External Borrowing | Represents a control on the maximum level of borrowing   |
| Capital Expenditure                     | Expenditure capitalised in accordance with regulations i.e. material expenditure either by Government Directive or on capital assets, such as land and buildings, owned by the Council (as opposed to revenue expenditure which is on day to day items including employees' pay, premises costs and supplies and services) |
| Capital Financing Requirement           | A measure of the Council's underlying borrowing need i.e. it represents the total historical outstanding capital expenditure which has not been paid for from either revenue or capital resources  |
| Certificates of Deposit (CDs)           | Low risk certificates issued by banks which offer a higher rate of return  |
| CIPFA                                   | Chartered Institute of Public Finance and Accountancy  |
| Counter-parties                         | Financial Institutions with which funds may be placed  |
| Credit Risk                             | Risk of borrower defaulting on any type of debt by failing to make payments which it is obligated to do  |
| DCLG                                    | Department for Communities & Local Government  |
| Eurocurrency                            | Currency deposited by national governments or corporations in banks outside of their home market   |
| External Gross Debt                     | Long-term liabilities including Private Finance Initiatives and Finance Leases   |
| HRA                                     | Housing Revenue Account - a 'ring-fenced' account for local authority housing account where a council acts as landlord   |
| HRA Self-Financing                      | A new funding regime for the HRA introduced in place of the previous annual subsidy system   |
| London Interbank Offered Rate (LIBOR)   | A benchmark rate that some of the leading banks charge each other for short-term loans   |
| London Interbank Bid Rate (LIBID)       | The average interest rate which major London banks borrow Eurocurrency deposits from other banks   |
| Liquidity                               | A measure of how readily available a deposit is  |
| MPC                                     | Monetary Policy Committee - The Bank of England Committee responsible for setting the UK's bank base rate  |
| Non-Specified Investments               | These are investments that do not meet the conditions laid down for Specified Investments and potentially carry additional risk, e.g. lending for periods beyond 1 year  |
| Operational Boundary                    | Limit which external borrowing is not normally expected to exceed  |



| Term                         | Definition  |
|------------------------------|---|
| PWLB                         | Public Works Loans Board - an Executive Government Agency of HM Treasury from which local authorities & other prescribed bodies may borrow at favourable interest rates   |
| Security                     | A measure of the creditworthiness of a counter-party  |
| Specified Investments        | Those investments identified as offering high security and liquidity. They are also sterling denominated, with maturities up to a maximum of 1 year, meeting the minimum 'high' credit rating criteria where applicable |
| Supranational Bonds          | Multi-lateral Development Bank Bond   |
| UK Government Gilts          | Longer-term Government securities with maturities over 6 months and up to 30 years  |
| UK Government Treasury Bills | Short-term securities with a maximum maturity of 6 months issued by HM Treasury   |
| Yield                        | Interest, or rate of return, on an investment   |