



To: The Executive Councillor for Finance & Resources:
Councillor Richard Robertson
Report by: Caroline Ryba – Head of Finance & S151 Officer
Relevant scrutiny committee: Strategy & Resources
10/10/2016
Scrutiny Committee
Wards affected: All Wards

TREASURY MANAGEMENT HALF YEARLY UPDATE REPORT 2016/17

Key Decision

1. Executive summary

- 1.1 The Council has adopted The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management (revised 2011).
- 1.2 The Code requires as a minimum receipt by full Council of an Annual Treasury Management Strategy Statement – including the Annual Investment Strategy and Minimum Revenue Provision Policy – for the year ahead, a half-year review report and an Annual Report (stewardship report) covering activities in the previous year.
- 1.3 This half-year report has been prepared in accordance with CIPFA's Code of Practice on Treasury Management and covers the following:-
 - The Council's capital expenditure (prudential indicators);
 - A review of compliance with Treasury and Prudential Limits for 2016/17;
 - A review of the Council's borrowing strategy for 2016/17;
 - A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
 - A review of the Council's investment portfolio for 2016/17; and;
 - An update on interest rate forecasts following economic news in the first half of the 2016/17 financial year.
- 1.4 In line with the 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 estimated Prudential and Treasury Indicators 2016/17 to 2019/20.
- 2.2 Following a recent review, the Executive Councillor is asked to recommend to Council amendments to the Counterparty limits as follows:

Name	Recommended Limit (£)
Enhanced Cash Funds (Standard & Poor's: AAAf/S1, Fitch AAA/V1)	10m (in each fund)
CCLA Local Authorities' Property Fund	15m

- 2.3 In line with this review the Executive Councillor is also recommended to increase the upper limit on principal sums to be deposited for over 1 year to £50m.
- 2.4 The Executive Councillor is asked to recommend to Council an amendment to the Minimum Revenue Provision Policy for 2016/17.

3. Background

- 3.1 The Council is required to comply with the CIPFA Prudential Code (May 2013 edition) and the CIPFA Treasury Management Code of Practice (Revised November 2011). The Council is required to set prudential and treasury indicators, including an Authorised Limit for borrowing, for a three year period and should ensure that its capital plans are affordable, prudent and sustainable.
- 3.2 The Council is currently supported in its treasury management functions by specialist advisors who are Capita Asset Services. Capita's services include the provision of advice to the Council on developments and best practice in this area and provide information on the creditworthiness of potential counterparties, deposits, borrowing, interest rates and the economy.

4 The Council's Capital Expenditure and Financing 2016/17 to 2019/20

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

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

4.2 Details of capital expenditure forms one of the required prudential indicators. The table below shows the proposed capital expenditure and how it will be financed. It also includes any re-phasing during 2016/17 and is in line with the agreed Capital Plan.

	2016/17 Probable Outturn £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000
General Fund Capital Expenditure	41,843	2,453	1,301	801
HRA Capital Expenditure	30,092	31,687	22,078	14,368
Total Capital Expenditure	71,935	34,140	23,379	15,169
Resourced by:				
• Capital receipts	-4,569	-5,226	-5,706	-3,000
• Other contributions	-47,366	-28,914	-17,673	-12,169
Total available resources for financing capital expenditure	-51,935	-34,140	-23,379	-15,169
Un-financed capital expenditure	20,000	0	0	0

5. The Council's Prudential and Treasury Management Indicators

5.1 The table below shows the Capital Financing Requirement (CFR), which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period. This is termed the Operational Boundary.

Capital Financing Requirement & Cumulative External Borrowing	2016/17 Probable Outturn £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000
General Fund Capital Financing Requirement	25,685	25,685	25,685	25,685
HRA Capital Financing Requirement	214,748	214,748	214,748	214,748
Total Capital Financing Requirement	240,433	240,433	240,433	240,433
Movement in the Capital Financing Requirement	20,000	0	0	0
Estimated External Gross Debt/Borrowing (Including HRA Reform)	213,572	213,572	213,572	213,572
Authorised Limit for External Debt	250,000	250,000	250,000	250,000
Operational Boundary for External Debt	240,433	240,433	240,433	240,433

- 5.2 A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members.
- 5.3 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 th October 2011	250,000
HRA Debt Limit (B)	230,839
2011/12 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 Borrowing	NIL
2013/14 Borrowing	NIL
2014/15 Borrowing	NIL
2015/16 Borrowing	NIL
2016/17 Borrowing up to 31 st August 2016	NIL
Total Current Headroom (A minus C)	36,428

5.4 During this financial year the Council has operated within the 'authorised' and 'operational' borrowing limits contained within the Prudential Indicators set out in the Council's Treasury Management Strategy Statement. The anticipated Prudential & Treasury indicators are shown in Appendix A.

6. Borrowing

6.1 The Council is permitted to borrow under the Prudential Framework, introduced with effect from 1st April 2004.

6.2 At present the only debt held by the authority relates to the twenty loans from the PWLB for self-financing the HRA taken out in 2012 totalling £213,572,000.

6.3 The Council does not currently anticipate any new external borrowing for the period 2016/17 to 2019/20, inclusive.

6.4 The provision for the repayment of debt is known as the Minimum Revenue Provision (MRP). Regulations require the authority to determine annually a policy by which MRP will be determined.

6.5 The Medium Term Financial Strategy now includes proposals for capital expenditure of up to £20 million in 2016/17, to be funded from internal borrowing. The Council must make MRP based on the underlying principle that the provision should be linked to the life of the

assets for which the borrowing is required. It is therefore proposed to amend the policy for 2016/17 as shown in Appendix E.

- 6.6 In the event that external borrowing is undertaken the Council is able as an eligible local authority to access funds at the PWLB Certainty Rate (a 0.20% discount on loans) until 31 October 2017.

7. Investment Portfolio

- 7.1 The Council takes a cautious approach within its Treasury Management Strategy, with the detailed counterparty list with limits is shown within Appendix B. These limits have not been breached to date in 2016/17.
- 7.2 No changes to the counterparty list or limits are proposed as part of this half-year review.
- 7.3 The average rate of return for all deposits to 31st August 2016 is 1.17%, compared to an actual of 1.13% for 2015/16. The Council has achieved its interest receipts budget of £478,200 to the end of August 2016. There is uncertainty of rates and levels of receipts for the second half of this year.
- 7.4 The table below shows the Council's predicted cash balances apportioned between short term (up to 3 months), medium term (up to 1 year) and long term (core cash, up to 5 years) deposits.

SUMMARY DEPOSIT ANALYSIS	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Short Term	41,100	42,700	44,900	43,800
Medium Term	23,000	23,400	25,100	28,100
Long Term	33,600	33,900	35,900	46,800
TOTAL PREDICTED CASH DEPOSITS:-	97,700*	100,000*	105,900*	118,700*

***Based on current estimated net cash inflow trends**

- 7.5 The Council's balances show a broadly upward trend.
- 7.6 An analysis of the sources of the Council's deposits is prepared from the audited balance sheet at the end of each financial year. The analysis for 31 March 2016 is shown at Appendix C.

8. Brexit Update

- 8.1 The referendum result has generated some uncertainty in the investment markets. Realistically, given the number of complexities of the situation, these uncertainties will take some time to clear.
- 8.2 At the moment these issues are prominent in the headlines but volatility on the markets now appears to be settling somewhat.
- 8.3 Rates have dropped following Brexit. Article 50 has not yet been triggered and it is still not clear exactly when this will happen. There are then two years to complete negotiations for leaving the EU, so the uncertainty is expected to continue in the medium term.

9 . Proposed changes to Counterparty limits

- 9.1 Counterparty limits have been reviewed in response to general economic conditions and the Council's current cash-flow modelling. This review indicates that the Council has capacity to deposit funds over a longer period and therefore achieve better returns. It is therefore proposed to increase the maximum that can be invested in each Enhanced Cash Fund from £5m to £10m, and the limit on the CCLA Local Authority Property Fund from £10m to £15m in total.
- 9.2 The current limit on deposits with a duration of over 1year is £40m. It is proposed to increase this limit to £50m.
- 9.3 The above changes give the Chief Financial Officer scope to make additional investments in these Funds, as part of usual treasury activity, which includes appropriate due diligence.

10. Interest Rates

- 10.1 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 interest rates on treasury management issues for the Council. Capita's opinion on interest rates is presented at Appendix D.

11. Implications

(a) Financial Implications

The prudential and treasury indicators have been amended to take account of known financial activities.

(b) Staffing Implications

None.

- (c) **Equal & 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.

12. Background Papers

12.1 None were used in preparing this report.

13. Appendices

13.1 Appendix A – Prudential and Treasury Management Indicators
Appendix B – The Council's current Counterparty list
Appendix C – Sources of the Council's Deposits
Appendix D – Capita's opinion on UK Forecast Interest Rates
Appendix E – Amended Minimum Revenue Provision Policy 2016/17
Appendix E – Glossary of Terms and Abbreviations

14. Inspection of Papers

14.1 If you have any queries about this report please contact:

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PRUDENTIAL & TREASURY MANAGEMENT INDICATORS

	Probable Outturn 2016/17 £'000	Estimate 2017/18 £'000	Estimate 2018/19 £'000	Estimate 2019/20 £'000
PRUDENTIAL INDICATORS				
Capital expenditure				
- General Fund	41,843	2,453	1,301	801
- HRA	30,092	31,687	22,078	14,368
Total	71,935	34,140	23,379	15,189
Incremental impact of capital decisions on:				
Band D Council Tax (City element)	0.96	0.03	0.02	0.02
Average weekly housing rent	-1.02	1.77	1.81	0.17
Capital Financing Requirement (CFR) as at 31 March				
- General Fund	25,685	25,685	25,685	25,685
- HRA	214,748	214,748	214,748	214,748
Total	240,433	240,433	240,433	240,433
Change in the CFR	20,000	0	0	0
Deposits at 31 March	97,700	100,000	105,900	118,700
External Gross Debt	213,572	213,572	213,572	213,572
Ratio of financing costs to net revenue stream				
-General Fund	-637	-573	-739	-875
-HRA	7,156	6,616	6,362	6,154
Total	6,519	6,043	5,623	5,279
% of net revenue expenditure				
-General Fund	-2.30%	-2.53%	-3.24%	-4.11%
-HRA	17.48%	16.30%	15.75%	15.44%
Total (%)	15.18%	13.77%	12.51%	11.33%

PRUDENTIAL & TREASURY MANAGEMENT INDICATORS

	Probable Outturn 2016/17 £'000	Estimate 2017/18 £'000	Estimate 2018/19 £'000	Estimate 2019/20 £'000
TREASURY INDICATORS				
Authorised limit				
for borrowing	250,000	250,000	250,000	250,000
for other long term liabilities	0	0	0	0
Total	250,000	250,000	250,000	250,000
HRA Debt Limit	230,839	230,839	230,839	230,839
Operational boundary				
for borrowing	240,433	240,433	240,433	240,433
for other long term liabilities	0	0	0	0
Total	240,433	240,433	240,433	240,433
Upper limit for total principal sums deposited for over 364 days & up to 5 years*	50,000	50,000	50,000	50,000
Upper limit for fixed & variable interest rate exposure				
Net interest on fixed rate borrowing/deposits	6,855	6,919	6,753	6,617
Net interest on variable rate borrowing/deposits	-27	-18	-15	-15
Maturity structure of new fixed rate borrowing		Upper Limit	Lower Limit	
10 years and above (PWLB borrowing for HRA Reform)		100%	100%	

*Includes recommended change

Treasury Management Annual Investment Strategy

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. Recommended changes are shown in bold:-

Name	Council's Current Deposit Period	Category	Limit (£)
Specified Investments:-			
All UK Local Authorities	N/A	Local Authority	20m
All UK Passenger Transport Authorities	N/A	Passenger Transport Authority	20m
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	25m
HSBC Bank Plc	Using Capita's Credit Criteria	UK Bank	20m
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
Other UK Banks	Using Capita's Credit Criteria	UK Banks	20m
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

Name	Council's Current Deposit Period	Category	Limit (£)
Svenska Handelsbanken	Using Capita's Credit Criteria	Non-UK Bank	5m
Enhanced Cash Funds (Standard & Poor's: AAAf/S1, Fitch: AAA/V1)	Over 3 months and up to 1 year	Financial Instrument	10m (per single counterparty)
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
Other Specified Investments - UK Building Societies:-			
Name	Council's Current Deposit Period	Asset Value (£'m) – as at 1 st July 2016	Limit (£)
Nationwide Building Society	1 month or in line with Capita's Credit Criteria, if longer	207,622	Assets greater than £100,000m - £20m
Yorkshire Building Society		43,231	
Coventry Building Society		33,672	Assets between £50,000m and £99,999m - £5m
Skipton Building Society		16,612	
Leeds Building Society		14,329	
Principality Building Society		7,409	Assets between £5,000m and £49,999m - £2m
West Bromwich Building Society		5,725	
Non-Specified Investments:-			
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 15m
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)

Name	Council's Current Deposit Period	Category	Limit (£)
Certificates of Deposit (with Foreign Banking Institutions)	Liquid Rolling Balance	Financial Instrument	2m (per single counterparty)
Enhanced Cash Funds (Standard & Poor's: AAAf/S1, Fitch: AAA/V1)	Over 1 year and up to 5 years	Financial Instrument	10m (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

Sources of the Council's Deposits

Local authorities are free to deposit surplus funds not immediately required in order to meet the costs of providing its services. The Council deposits amounts set aside in its general reserves and earmarked reserves.

The interest earned on these deposits is credited to the General Fund and Housing Revenue Account respectively and helps to fund the cost of providing services. This currently amounts to around £1.4m each year based on current deposit and interest rate levels.

At 1st April 2016, the Council had deposits of £97.987m. The table below provides a sources breakdown of the funds deposited at that date:-

Funds Deposited as at 1 April 2016	£'000	£'000
Working Capital		21,872
General Fund:		
General Reserve	16,012	
Asset Renewal Reserves	2,693	
Other Earmarked Reserves	15,093	33,798
Housing Revenue Account (HRA):-		
General Reserve	9,791	
Asset Renewal Reserves	2,032	
Major Repairs Reserve	3,269	
Other Earmarked Reserves	1,936	
Capital Financing Requirement (Including HRA Reform)	-220,432	
PWLB Borrowing for HRA Reform	213,572	10,168
Capital:		
Capital Contributions Unapplied	8,198	
Usable Capital Receipts	23,951	32,149
Total Deposited		97,987

The HRA accounts for around 43% of reserves deposited.

Capita's Opinion on Forecast UK Interest Rates – As Currently Predicted

Introduction

The paragraphs that follow reflect the views of the Council's Treasury Management advisors (Capita) on UK Interest Rates as currently predicted.

Interest rates

Members of the Bank of England Monetary Policy Committee (MPC) reduced the bank rate to 0.25% (previously 0.50%) and increased Quantitative Easing (QE) by £60bn to £435bn, on 4th August 2016. Going forward, the Council's treasury advisor, Capita, has provided the following interest rate forecasts, also issued on 4th August 2016:-

	Previously	Aug-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
Bank rate	0.50%	0.25%	0.10%	0.15%	0.10%	0.10%	0.10%	0.10%	0.25%	0.25%	0.25%	0.25%	0.50%
3 month LIBID	0.50%	0.30%	0.20%	0.20%	0.20%	0.20%	0.20%	0.30%	0.30%	0.30%	0.40%	0.50%	0.60%
6 month LIBID	0.55%	0.40%	0.30%	0.30%	0.30%	0.40%	0.40%	0.50%	0.50%	0.50%	0.60%	0.60%	0.70%
12 month LIBID	0.75%	0.60%	0.50%	0.50%	0.60%	0.60%	0.70%	0.70%	0.70%	0.80%	0.80%	0.80%	0.90%
5yr PWLB rate	1.20%	1.00%	1.00%	1.00%	1.10%	1.10%	1.10%	1.10%	1.20%	1.20%	1.20%	1.20%	1.30%
10yr PWLB rate	1.70%	1.50%	1.50%	1.50%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.70%	1.80%
25yr PWLB rate	2.50%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.40%	2.50%	2.50%	2.50%	2.50%	2.60%
50yr PWLB rate	2.20%	2.10%	2.10%	2.10%	2.20%	2.20%	2.20%	2.20%	2.30%	2.30%	2.30%	2.30%	2.40%

This is the first bank rate change since 2009. The actual vote on 4th August 2016 was unanimous at 9-0 in favour.

Minimum Revenue Provision Policy Amended 2016/17 (Proposed Amendment underlined)

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

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

There is no requirement to charge MRP where the Capital Financing Requirement (CFR) is nil or negative at the end of the preceding financial year.

The Housing Revenue Account share of the CFR is not subject to an MRP charge.

There is no requirement to make MRP on an asset until the financial year after that asset becomes operational.

The Government has issued guidance on the calculation of MRP. The Council is required to have regard to the guidance based on the underlying principle that the provision should be linked to the life of the assets for which the borrowing is required.

However, the guidance is clear that differing approaches can be considered as long as the resulting provision is prudent.

In general, the Council will make a minimum revenue provision based on the equal instalment method, amortising expenditure equally over the estimated useful life of the asset for which the borrowing is required. However, no provision will be made in respect of expenditure on specific projects where the Head of Finance determines that receipts will be generated by the project to repay the debt.

Specifically in respect of the current capital programme:

The Council has agreed to make a loan to company (which is classed as capital expenditure) to enable it to let intermediate rent properties. This will be financed from internal borrowing.

As this loan is to a wholly owned subsidiary company, is secured on assets and there is a plan and evidence that there is an ability to repay the loan at the end of the short 3 year pilot period, no MRP will be set aside. However,

to ensure that this policy is prudent, the Council will review this loan annually and at the end of the pilot period if the company continues and the loan is renegotiated. Where there is evidence which suggests that the full amount of the loan may not be repaid, it will be necessary to reassess the need to commence MRP to recover the impaired amounts from revenue.

The Council has agreed to finance an element of the capital cost of a new community centre at Clay Farm from internal borrowing. This element will in effect be repaid over the next 15 years (with interest) from receipts of rental incomes and subsidy from the site developer and a tenant. As there are sufficient revenues to repay the capital costs no MRP will be set aside.

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
Quantitative Easing (QE)	A financial mechanism whereby the Central Bank creates money to buy bonds from financial institutions, which reduces interest rates, leaving businesses and individuals to borrow more. This is intended to lead to an increase in spending, creating more jobs and boosting the economy
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