

Item

**ANNUAL TREASURY MANAGEMENT (OUTTURN) REPORT  
2018/19**



**To:**

The Executive Councillor for Finance & Resources:

Councillor Richard Robertson Strategy & Resources Scrutiny Committee  
01/07/2019

**Report by:**

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**Wards affected:**

All Wards

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**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 2018/19. Both of these publications have been revised by CIPFA and references to these documents are specifically to the 2017 Editions.
- 1.3 During 2018/19 the minimum requirements were that Council should receive:-

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

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. The Executive Councillor is asked to:**

2.1 Recommend this report to Council, which includes the Council's actual Prudential and Treasury Indicators for 2018/19.

## **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 2019 (Appendix A);
- The Council's Treasury Management advisors (Link Asset Services 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 2018/19**

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.

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

	2017/18 £'000 Actual	2018/19 £'000 Current Budget *	2018/19 £'000 Actual
General Fund capital expenditure	29,337	43,748	29,112
HRA capital expenditure	18,154	36,151	30,902
<b>Total capital expenditure</b>	<b>47,491</b>	<b>79,899</b>	<b>60,014</b>
<b>Resourced by:</b>			
• Capital receipts	-7,651	-11,090	-25,895
• Other contributions	-21,501	-71,933	-42,508
<b>Total available resources for financing capital expenditure</b>	<b>-29,152</b>	<b>-83,023</b>	<b>-68,403</b>
<b>Financed from/(to) cash balances</b>	<b>18,339</b>	<b>-3,124</b>	<b>-8,389</b>

\* Per Budget Setting Report (BSR) agreed by Council on 21<sup>st</sup> February 2019

### 3.3 The Council's overall borrowing need

During 2018/19, there was no requirement for external borrowing. Financing of capital expenditure from cash balances of £(-)8,389k shown in the above table, was met using earmarked reserves. This movement comprises (-) £75k Clay Farm Community Centre, £1,231k Commercial Property Investments, £2,200k Allia Investment Bond, (-) £8,000k Invest for Income Reserve, (-) £2,200k K1 capital receipt and (-) £1,545 NHBC allocation. The above overall credit of (-) £8,389 will reduce the Capital Financing Requirement (CFR).

### 3.4 Current Debt as at 31<sup>st</sup> March 2019

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, 2014/15, 2015/16, 2016/17, 2017/18 and 2018/19 External Borrowing	NIL
Total Current Headroom (A minus C)	36,428

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 2019

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 2018/19 against 2017/18.

<b><u>Actual Returns</u></b>	2017/2018		2018/2019	
	Deposit Type	Average Deposits (£m)	Average Rate of Return	Average Deposits (£m)
Fixed Short-Term (<365 days)	52.15	0.48%	51.96	0.87%
Call/Overnight Accounts	4.72	0.33%	3.12	0.55%
Enhanced Cash Funds	10.00	0.56%	10.00	0.67%
Fixed Long-Term (>365 days)	27.33	0.84%	21.53	0.97%
Money Market Funds	11.64	0.28%	13.16	0.62%
CCLA Local Authorities' Property Fund	15.00	4.60%	15.00	4.39%
<b><u>Overall Deposit Return</u></b>	<b>120.84</b>	<b>1.06%</b>	<b>114.77</b>	<b>1.29%</b>
<b><u>Benchmark Returns</u></b>	2017/2018		2018/2019	
	Offer (LIBOR)	Bid (LIBID)	Offer (LIBOR)	Bid (LIBID)
<b>Average</b>	<b>0.45%</b>	<b>0.32%</b>	<b>0.78%</b>	<b>0.65%</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 2019.

- 3.6 Total interest and dividends of £1,547,051 have been earned on the Council's deposits during 2018/19 at an average rate of 1.29% (1.06% in 2017/18). This amount is currently split between the General Fund (GF) and Housing Revenue Account (HRA) using the Composite Interest Rate (CIR) of 1.29% applied to the GF and HRA notional cash balances. In 2018/19 the GF has received £673,863 and the HRA, £873,188. This has resulted in a shortfall on the GF's interest and dividends income budget of £147,057.

- 3.7 This 'one pool' approach to the investment of cash balances reflects the Council's current position which does not distinguish between cash balances derived from the GF and HRA, or the 'ring-fenced' nature of the HRA and the balance of risk between the two funds.
- 3.8 As a result, it is proposed to review the use of the 'one pool' approach, bringing forward any recommendations for change through the Medium Term Financial Strategies (MTFS) and Treasury Management Strategy Statement.
- 3.9 The interest earned for CCLA Local Authorities' Property Fund for 2018/19 amounted to £656,020 (which is included in paragraph 3.6, above) which equated to an annual yield of 4.39%.
- 3.10 A summary of deposits is shown at Appendix A.

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

- 4.1 Link 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 and investment rates. Link's opinion is presented at Appendix B, and provides an overview as at 31<sup>st</sup> March 2019.
- 4.2 The Bank of England's May 2019 Inflation Report gives additional information on growth, inflation and interest rates. The Bank of England's Monetary Policy Committee (MPC) noted that the future outlook for growth remains reasonably solid. No changes to interest rates (0.75%, with 9 to 0 majority) or quantitative easing (£435bn) were made. Noticeable increases in employment were observed.
- 4.3 Growth did moderate, though, to around 1.7% during 2018. The MPC sets monetary policy to meet the 2% inflation target, which helps to sustain growth and employment. This is close to the current CPI Inflation rate.

#### **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, Link continues to revise its recommendations on counterparties and appropriate durations. The Council follows Link's recommendations as reflected in the Current Counterparty List at Appendix D.

## **7. Markets in Financial Instruments Directive II (MiFID II)**

7.1 This is to update Members since the last report (BSR on 21/02/2019), that registrations have now been completed, including Officers that deal with all our Financial Institutions (FIs).

7.2 Consequently, the Council has been successfully upgraded to Professional status, meaning our skills base is comprehensive enough to undertake investments in line with our current Investment Strategy.

## **8. 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 and Poverty Implications**

No negative impacts identified.

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

None.

### **(e) Procurement Implications**

None.

### **(f) Community Safety Implications**

No community safety Implications.

## **9. Consultation and communication considerations**

None required.

## **10. Background papers**

No background papers were used in the preparation of this report.

## **11. Appendices**

- 11.1 Appendix A – The Council’s deposits as at 31<sup>st</sup> March 2019
- Appendix B – Link’s opinion on UK interest rates
- Appendix C – Prudential Indicators – Outturn for 2018/19
- Appendix D – Current Counterparty List
- Appendix E – Glossary of Terms and Abbreviations

## **12. Inspection of papers**

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

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## TREASURY MANAGEMENT POSITION AS AT 31<sup>st</sup> March 2019

### CURRENT DEPOSITS

The Council's deposits as at 31<sup>st</sup> March 2019 are shown in the table below:-

Counterparty	% Rate	Duration	Principal (£'000)
<b>Fixed Term Deposits</b>			
Lloyds Bank Plc (RFB)	1.00	6 months	5,000
West Dunbartonshire Council	0.85	6 months	5,000
Bank of Scotland Plc (RFB)	0.85	9 months	2,000
Bank of Scotland Plc (RFB)	0.85	9 months	5,000
Thurrock Borough Council	0.95	9 months	3,000
Blaenau Gwent Council	0.95	9 months	3,000
Standard Chartered Bank	1.07	6 months	3,000
Lloyds Bank Plc (RFB)	1.05	9 months	3,000
Bank of Scotland Plc (RFB)	1.05	9 months	1,000
Lloyds Bank Plc (RFB)	1.05	9 months	1,000
Standard Chartered Bank	1.06	6 months	2,000
Lloyds Bank Plc (RFB)	1.05	1 year	5,000
Thurrock Borough Council	0.98	9 months	2,000
Lloyds Bank Plc (RFB)	1.10	1 year	6,000
Doncaster MBC	0.90	2 years	5,000
Stockport MBC	1.00	1 year	5,000
Cherwell District Council	1.05	1 year	5,000
Bank of Scotland Plc (RFB)	1.10	1 year	3,000
Cambridgeshire County Council	1.30	2 years	5,000
Allia Ltd	2.40	5 years	2,200
<b>Total Fixed Term Deposits</b>			<b>71,200</b>
<b>Variable Rate Notice Accounts</b>			
Barclays Bank Plc	0.65	Same Day Notice	2,177
CCLA Local Authorities' Property Fund	4.39	5 years	15,000
Aberdeen Liquidity Fund (Lux) – Sterling Fund (Class L1)	0.78884	Same Day Notice	5,000
Insight Liquidity Funds Plc – GBP Liquidity Fund (Class 3)	0.75431	Same Day Notice	1,000
Payden Sterling Reserve Fund	0.87410	4 Day	5,000
Royal London Cash Plus Fund Y (Gross Inc)	0.74611	3 Day	5,000
<b>Total Variable Rate Notice Accounts</b>			<b>33,177</b>
<b>TOTAL</b>	-	-	<b>104,377</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).

## LINK'S OPINION ON UK INTEREST & INVESTMENT RATES AS AT 31<sup>ST</sup> MARCH 2019

After weak **economic growth** of only 0.2% in quarter one of 2018, growth picked up to 0.4% in quarter 2 and to a particularly strong 0.7% in quarter 3, before cooling off to 0.2% in the final quarter. Given all the uncertainties over Brexit, this weak growth in the final quarter was as to be expected. However, some recovery in the rate of growth is expected going forward. The annual growth in Q4 came in at 1.4% y/y confirming that the UK was the third fastest growing country in the G7 in quarter 4.

After the Monetary Policy Committee raised **Bank Rate** from 0.5% to 0.75% in August 2018, it is little surprise that they have abstained from any further increases since then. We are unlikely to see any further action from the MPC until the uncertainties over Brexit clear. If there were a disorderly exit, it is likely that Bank Rate would be cut to support growth. Nevertheless, the MPC has been having increasing concerns over the trend in **wage inflation** which peaked at a new post financial crisis high of 3.5%, (excluding bonuses), in the three months to December before falling only marginally to 3.4% in the three months to January. British employers ramped up their hiring at the fastest pace in more than three years in the three months to January as the country's labour market defied the broader weakness in the overall economy as Brexit approached. The number of people in work surged by 222,000, helping to push down the unemployment rate to 3.9 percent, its lowest rate since 1975. Correspondingly, the total level of vacancies has risen to new highs.

As for **CPI inflation** itself, this has been on a falling trend since peaking at 3.1% in November 2017, reaching a new low of 1.8% in January 2019 before rising marginally to 1.9% in February. However, in the February 2019 Bank of England Inflation Report, the latest forecast for inflation over both the two and three year time horizons remained marginally above the MPC's target of 2%.

The rise in wage inflation and fall in CPI inflation is good news for consumers as their spending power is improving in this scenario as the difference between the two figures is now around 1.5%, i.e. a real terms increase. Given the UK economy is very much services sector driven, an increase in **household spending power** is likely to feed through into providing some support to the overall rate of economic growth in the coming months.

## Link's Prediction for Interest Rates

The following table shows when Link predict interest rates will rise, together with an estimate of other interest rates. Link estimate that the Bank Rate will rise from 0.75% to 1.00% in March 2020.

	NOW	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
<b>BANK RATE</b>	0.75%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.50%	1.75%
<b>3 month LIBID</b>	0.70%	0.70%	0.90%	1.00%	1.00%	1.20%	1.20%	1.20%	1.50%	1.50%	1.50%	1.70%
<b>6 month LIBID</b>	0.80%	0.80%	0.90%	1.10%	1.20%	1.30%	1.30%	1.40%	1.60%	1.60%	1.70%	1.80%
<b>12 month LIBID</b>	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%
<b>5yr PWLB</b>	1.80%	1.80%	1.90%	2.00%	2.10%	2.20%	2.20%	2.30%	2.40%	2.50%	2.50%	2.60%
<b>10yr PWLB</b>	2.10%	2.20%	2.30%	2.40%	2.50%	2.50%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%
<b>25yr PWLB</b>	2.60%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.50%	3.60%
<b>50yr PWLB</b>	2.40%	2.50%	2.60%	2.70%	2.80%	2.90%	3.00%	3.00%	3.10	3.20	3.30%	3.30%

**Link's Issue Date:- 8th May 2019**

## PRUDENTIAL &amp; TREASURY MANAGEMENT INDICATORS

	Actual 2017/18 £'000	Current Budget* 2018/19 £'000	Actual 2018/19 £'000
<b>PRUDENTIAL INDICATORS</b>			
Capital expenditure			
- General Fund	29,337	43,748	29,112
- HRA	18,154	36,151	30,902
<b>Total</b>	<b>47,491</b>	<b>79,899</b>	<b>60,014</b>
<b>Capital Financing Requirement (CFR) as at 31 March</b>			
- General Fund	26,273	34,133	17,646
- HRA	214,321	214,321	214,321
<b>Total</b>	<b>240,594</b>	<b>248,454</b>	<b>231,967</b>
<b>Change in the CFR (Note 2)</b>	<b>15,576</b>	<b>7,860</b>	<b>-8,627</b>
<b>Deposits at 31 March (Note 3)</b>	106,929	106,000	104,377
<b>External Gross Debt</b>	213,572	213,572	213,572
<b>Ratio of financing costs to net revenue stream</b>			
-General Fund	-2.41%	-2.59%	-2.59%
-HRA	14.99%	16.13%	16.13%
<b>Total</b>	<b>12.58%</b>	<b>13.54%</b>	<b>13.54%</b>

\*Note1: Refers to the Council's Budget Setting Report 2018/19 as agreed by Council on 21<sup>st</sup> February 2019.

Note 2: Includes additional financing of capital expenditure of (-)£8,389k & MRP of (-)£238k.

Note 3: As per the Council's Balance Sheet.

## PRUDENTIAL & TREASURY MANAGEMENT INDICATORS

	Actual 2017/18 £'000	Current Budget* 2018/19 £'000	Actual 2018/19 £'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>No limit</b>	<b>No limit</b>
<b>Operational boundary</b>			
for external borrowing	213,572	213,572	213,572
for other long term liabilities	0	0	0
For internal borrowing	27,022	28,495	23,395
<b>Total</b>	<b>240,594</b>	<b>242,067</b>	<b>236,967</b>
<b>Upper limit for total principal sums deposited for over 364 days &amp; up to 5 years</b>	50,000	50,000	50,000
<b>Upper limit for fixed &amp; variable interest rate exposure</b>			
Net interest on fixed rate borrowing/deposits	6,798	6,141	6,141
Net interest on variable rate borrowing/deposits	-18	-15	-15
<b>Maturity structure of new fixed rate borrowing</b>		Upper Limit	Lower Limit
10 years and above (PWLB borrowing for HRA Reform)		100%	100%

\*Note1: Refers to the Council's Budget Setting Report 2018/19 as agreed by Council on 21<sup>st</sup> February 2019.

## Annual Treasury Management (Outturn) Report 2018/19

### 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 (\*references have now been made to RFB & NRFB for UK Banks, with explanations within the Glossary at Appendix E).

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 – NRFB*	Using Link's Credit Criteria	UK Bank	35m
HSBC Bank Plc – NRFB*	Using Link's Credit Criteria	UK Bank	20m
HSBC UK Bank Plc – RFB*	Using Link's Credit Criteria	UK Bank	20m
Standard Chartered Bank	Using Link's Credit Criteria	UK Bank	20m
Bank of Scotland Plc (BoS) – RFB*	Using Link's Credit Criteria	UK Bank	20m
Lloyds Bank Plc – RFB*	Using Link's Credit Criteria	UK Bank	20m
National Westminster Bank Plc (NWB) – RFB*	Using Link's Credit Criteria	UK Nationalised Bank	20m
Santander UK Plc	Using Link's Credit Criteria	UK Bank	5m

Name	Council's Current Deposit Period	Category	Limit (£)
The Royal Bank of Scotland Plc (RBS) – RFB*	Using Link's Credit Criteria	UK Nationalised Bank	20m
Other UK Banks	Using Link's Credit Criteria	UK Banks	20m
Members of a Banking Group (BoS Group includes Lloyds, RBS Group includes NWB)	Using Link's Credit Criteria	UK Banks and UK Nationalised Banks	30m
Svenska Handelsbanken	Using Link's Credit Criteria	Non-UK Bank	5m
Enhanced Cash Funds (Standard & Poor's: AAf/S1, Fitch: AAA/S1)	Over 3 months and up to 1 year	Financial Instrument	10m (per single counterparty)
Enhanced Money Market Funds (not below AAf) - VNAV	Over 3 months and up to 1 year	Financial Instrument	5m (per fund)
Money Market Funds (AAf) – CNAV, VNAV & LVNAV	Liquid Rolling Balance	Financial Instrument	15m (per fund) With no maximum limit overall
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	Society Asset Value (£'m) – as at 26 <sup>th</sup> April 2019	Limit (£)
Nationwide Building Society	1 month or in line with Link's Credit Criteria, if longer	227,303	Assets greater than £100,000m - £20m
Yorkshire Building Society		50,417	
Coventry Building Society		45,446	Assets between £50,000m and £99,999m - £5m
Skipton Building Society		21,638	
Leeds Building Society		19,643	

Name	Council's Current Deposit Period	Category	Limit (£)
Principality Building Society		9,502	Assets between £5,000m and £49,999m - £2m
West Bromwich Building Society		5,794	
<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 35m (in total)
Cambridge City council Housing Working Capital Loan Facility	Up to 1 year	Loan	200,000
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)
Certificates of Deposit (with Foreign Banking Institutions)	Liquid Rolling Balance	Financial Instrument	2m (per single counterparty)
Commercial Property Investments funded from cash balances	Over 1 year	Commercial Property	20m (in total)
Enhanced Cash Funds (Standard & Poor's: AAAf/S1, Fitch: AAA/S1)	Over 1 year and up to 5 years	Financial Instrument	10m (per single counterparty)
Enhanced Money Market Funds (not below AAf) - VNAV	Over 1 year and up to 5 years	Financial Instrument	5m (per fund)
Municipal Bonds Agency	N/A	Pooled Financial Instrument Facility	50,000
Secured Local Bond in Local Businesses – Using Allia Limited	N/A	Local Business Bond	Up to £5m in total



Name	Council's Current Deposit Period	Category	Limit (£)
Supranational Bonds – AAA	Using Link's Credit Criteria	Multi-lateral Development Bank Bond	15m
UK Government Gilts	Over 1 year & up to 30 Years	Financial Instrument	15m

**Note:** In addition to the limits above, the total non-specified items over 1 year will not exceed £50m.

## 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
Corporate Bonds	Financial instruments issued by corporations
Counterparties	Financial Institutions with which funds may be placed
Credit Risk	Risk of borrower defaulting on any type of debt by failing to make payments which it is obligated to do
Enhanced Cash Funds	Higher yielding funds typically for investments exceeding 3 months
Eurocurrency	Currency deposited by national governments or corporations in banks outside of their home market
External Gross Debt	Long-term liabilities including Private Finance Initiatives and Finance Leases
Government CNAV	Highly liquid sovereign stock based on a Constant Net Asset Value (CNAV)

<b>Term</b>	<b>Definition</b>
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 banks London banks borrow Eurocurrency deposits from other banks
Liquidity	A measure of how readily available a deposit is
Low Volatility Net asset Value (LVNAV)	Highly liquid sovereign stock based on a Constant Net Asset Value (CNAV)
MHCLG	Ministry for Housing, Department for Communities & Local Government (formerly the Department for Communities & Local Government, DCLG)
MPC	Monetary Policy Committee - The Bank of England Committee responsible for setting the UK's bank base rate
Minimum Revenue Provision (MRP)	Revenue charge to finance the repayment of debt
NHBC	National House Building Council
Non Ring Fenced Bank (NRFB)	Government & Bank of England rules will apply to all UK Banks which have to split their business into 'core' retail and investment units known as Ring and Non Ring Fenced Banks for the 1 <sup>st</sup> January 2019 deadline
Non-Specified Investments	These are investments that do not meet the conditions laid down for Specified Investments and potentially carry additional risk, e.g. lending for periods beyond 1 year
Operational Boundary	Limit which external borrowing is not normally expected to exceed
PWLB	Public Works Loans Board - an Executive Government Agency of HM Treasury from which local authorities & other prescribed bodies may borrow at favourable interest rates

Term	Definition
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
Ring Fenced Bank (RFB)	Government & Bank of England rules will apply to all UK Banks which have to split their business into 'core' retail and investment units known as Ring and Non Ring Fenced Banks for the 1 <sup>st</sup> January 2019 deadline
Security	A measure of the creditworthiness of a counter-party
Specified Investments	Those investments identified as offering high security and liquidity. They are also sterling denominated, with maturities up to a maximum of 1 year, meeting the minimum 'high' credit rating criteria where applicable
Supranational Bonds	Multi-lateral Development Bank Bond
UK Government Gilts	Longer-term Government securities with maturities over 6 months and up to 30 years
UK Government Treasury Bills	Short-term securities with a maximum maturity of 6 months issued by HM Treasury
Variable Net Asset Value	MMFs values based on daily market fluctuations to 2 decimal places known as mark-to-market prices
Weighted Average Life (WAL)	Weighted average length of time of unpaid principal
Weighted Average Maturity (WAM)	Weighted average amount of time to maturity
Yield	Interest, or rate of return, on an investment