



Item

ANNUAL TREASURY MANAGEMENT STRATEGY STATEMENT REPORT 2020/21 TO 2023/24

To:

The Executive Councillor for Finance & Resources: Councillor Richard Robertson

Strategy & Resources Scrutiny Committee 3rd February 2020

Report by:

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Wards affected:

All Wards

Key Decision

1. Executive summary

- 1.1 The Council is required to receive and approve, as a minimum, three main treasury management reports each year.
- 1.2 The first and most important is the Treasury Management Strategy (this report), which covers:
 - capital plans (including prudential indicators);
 - a Minimum Revenue Provision policy which explains how unfinanced capital expenditure will be charged to revenue over time;
 - the Treasury Management Strategy (how investments and borrowings are to be organised) including treasury indicators; and
 - a Treasury Management Investment Strategy (the parameters on how investments are to be managed).

- 1.3 A mid-year treasury management report is produced to update Members on the progress of the capital position, amending prudential indicators as necessary, and advising if any policies require revision.
- 1.4 The Outturn or Annual Report compares actual performance to the estimates in the Strategy.
- 1.5 The statutory framework for the prudential system under which local government operates is set out in the Local Government Act 2003 and Capital Financing and Accounting Statutory Instruments. The framework incorporates four statutory codes. These are:
 - the Prudential Code (2017 edition) prepared by CIPFA;
 - the Treasury Management Code (2017 edition) prepared by CIPFA;
 - the Statutory Guidance on Local Authority Investments prepared by Ministry of Housing, Communities and Local Government (MHCLG) (effective 1 April 2018); and
 - the Statutory Guidance on Minimum Revenue Provision prepared by MHCLG (effective 1 April 2019).
- 1.6 The Council's S151 Officer has considered the deliverability, affordability and risk associated with the Council's capital expenditure plans and treasury management activities. The plans are considered to be affordable. Where there are risks such as the slippage of capital expenditure, or reductions in investment values or income, these have been considered and are considered to be mitigated or at an acceptable level. The Council has access to specialist advice where appropriate.
- 1.7 Treasury Management Reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Strategy and Resources Committee.
- 1.8 It should be noted that the estimated Prudential & Treasury Indicators for 2019/20 to 2023/24 (inclusive), as set out in Appendix C, include amounts for other long-term liabilities arising from the implementation of International Financial Reporting Standard (IFRS) 16 in April 2020. In previous years there were no long-term liabilities to be disclosed within these indicators.

2. Recommendations

- 2.1 The Executive Councillor is asked to recommend this report to Council, including the estimated Prudential & Treasury Indicators for 2019/20 to 2023/24 (inclusive) as set out in Appendix C.

3 Treasury management activities

- 3.1 The Council is required to have regard to the relevant CIPFA and MHCLG Guidance when carrying out its treasury management activities (see paragraph 1.5). 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 Prudential Code states that, where appropriate, the S151 Officer should have access to specialised advice to enable them to reach their conclusions in respect of affordability and risk. As such, the Council has retained Link Asset Services (LAS) as its specialist treasury management advisors.
- 3.3 LAS's specialist services include the provision of advice to the Council on developments and best practice in treasury management, the creditworthiness of potential counterparties, deposit and borrowing interest rates, and the performance and outlook of the wider economy.

4. Borrowing policy statement

- 4.1 The Council is permitted to borrow under the Prudential Framework, introduced with effect from 1st April 2004.
- 4.2 At present the only debt held by the authority relates to twenty loans from the Public Works Loan Board (PWLB) for self-financing of the Housing Revenue Account (HRA). These loans were taken out in 2012 and total £213,572,000.
- 4.3 The Council anticipates taking further external borrowing during the period 2020/21 to 2023/24, including up to £91,368,000 to fund the Park Street redevelopment project, and £3,605,000 to fund further capital expenditure within the HRA.

- 4.4 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 31st October 2020.
- 4.5 The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement (CFR) estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

5. Minimum Revenue Provision (MRP) policy statement

- 5.1 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.
- 5.2 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’.
- 5.3 There is no requirement to charge MRP where the CFR is nil or negative at the end of the preceding financial year.
- 5.4 The HRA of the CFR is not subject to an MRP charge.
- 5.5 There is no requirement to make an MRP charge on an asset until the financial year after that asset becomes operational.
- 5.6 The Government has issued revised guidance (effective 1 April 2019) 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.
- 5.7 However, the guidance is clear that differing approaches can be considered as long as the resulting provision is prudent.

- 5.8 In general, the council will make MRP based on the equal installment 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 capital receipts will be generated by the project to repay the debt. Specifically, in respect of the current capital programme:
- The Council has made a loan to a 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 and is secured on assets no MRP will be set aside. However, to ensure that this policy is prudent, the Council will review this loan annually and if the loan is renegotiated. Where there is evidence which suggests that the full amount of the loan may not be repaid or is not secured on assets of appropriate value, it will be necessary to reassess the need to commence MRP to recover the impaired amounts from revenue.
 - The Council is making capital contributions and loans to the Cambridge Investment Partnership (CIP) – a joint venture and deadlock partnership in which the Council has a 50% stake – to facilitate the development of new housing within the city. These payments are classed as capital expenditure. As the payments will be appropriately covered by assets in CIP and as there are detailed plans to demonstrate that all investment in CIP will be recovered in less than five years with a significant surplus, no MRP will be set aside. However, to ensure that this policy is prudent, the Council will review the position regularly. Where there is evidence which suggests that the finance provided may not be repaid, it will be necessary to reassess the need to commence MRP to recover the impaired amounts from revenue.
 - No MRP will be required on bond investments which are treated as capital expenditure under regulation where those bonds are appropriately secured. This security will be reviewed at least annually.
- 5.9 The Council approved a programme of investment in commercial property using powers under S12 of the Local Government Act 2003 in

October 2016. This is deemed capital expenditure and will be financed from cash balances. MRP will be provided for using the useful life determinant with regard to maximum lives permitted in the revised MHCLG MRP guidance of 50 years for freehold land and 40 years for all other assets. MRP is made on the purchase of these properties from the date that rental income is earned.

- 5.10 The Council has agreed to finance an element of the capital cost of a new community centre at Clay Farm from internal borrowing. Using the asset life method MRP would normally be made over an asset life of 40 years. However, the element of capital cost being funded from internal borrowing will effectively be repaid over a shorter period from receipts of rental income from the tenant and subsidy from the site developer. The current estimate is that this repayment will take approximately 17 years. The Council has decided to make MRP on this accelerated basis in respect of this asset.
- 5.11 The Council is developing a scheme to regenerate its multi-storey car park on Park Street, funded by external borrowing. The source, timing and form of this borrowing is to be determined. This MRP policy will be updated as necessary, in line with guidance, once more details are known.
- 5.12 The Council will make £12,545k voluntary overpayments of MRP in 2019/20.

6. The Council's Capital Expenditure and Financing 2019/20 to 2023/24

- 6.1 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.
- 6.2 Estimates of capital expenditure forms one of the required prudential

indicators. The table below shows the proposed capital expenditure and how it will be financed.

	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000
General Fund Capital Expenditure	44,893	34,839	31,689	19,907	30,739
HRA Capital Expenditure	44,825	60,118	60,233	40,828	29,572
Total Capital Expenditure	89,718	94,957	91,922	60,735	60,311
Resourced by:					
• Capital receipts	(11,716)	(10,695)	(8,695)	(3,321)	(3,286)
• Other contributions	(53,356)	(52,843)	(53,464)	(37,779)	(25,125)
Total available resources for financing capital expenditure	(65,072)	(63,538)	(62,159)	(41,100)	(28,411)
Financed from internal and external borrowing	24,646	31,419	29,763	19,635	31,900

7. The Council's Prudential and Treasury Management Indicators

- 7.1 The table below shows the CFR, which is the underlying need to incur borrowing for a capital purpose. The Operational Boundary for External Debt is based on this. The table also shows the expected debt position over the period.

Capital Financing Requirement and Cumulative External Borrowing	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000
General Fund Capital Financing Requirement	42,883	73,826	102,963	120,871	149,641
HRA Capital Financing Requirement	214,321	214,321	214,321	215,422	217,926
Total Capital Financing Requirement	257,204	288,147	317,284	336,293	367,567
Movement in the Capital Financing Requirement	24,197*	30,943*	29,137*	19,009*	31,274*
Estimated External Gross Debt/Borrowing (Including HRA Reform)	213,572	223,316	249,837	269,472	301,372
Authorised Limit for External Debt	400,000	400,000	400,000	400,000	400,000
Operational Boundary for External Debt	262,204	293,147	322,284	341,293	372,567

*Includes Minimum Revenue Provision (MRP) of £449k in 2019/20, £476k in 2020/21 and £626k in 2021/22, 2022/23 and 2023/24.

7.2 During the above financial years the Council will operate 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 and Treasury indicators are shown in Appendix C.

8. Investment strategy

8.1 The Council’s overall approach to investment in financial and non-financial assets is outlined in the capital strategy presented in a separate report to the Strategy and Resources Committee and Council.

9. Financial asset counterparties

- 9.1 The full listing of approved counterparties is presented at Appendix A, showing the category under which each counterparty has been approved, the appropriate deposit limit and current duration limit.

10. Financial asset performance indicators

- 10.1 The Council's investments at 31 December 2019, including the principal invested, yield and credit rating as advised by Link are as follows:-

Counterparty	Link Credit Rating	Principal (£)	Yield
Fixed Term Deposits (Original Term less than one year)			
Cambridgeshire County Council	AA	5,000,000	1.30%
London Borough of Croydon	AA	3,000,000	0.87%
Eastbourne Borough Council	AA	3,000,000	0.75%
Guildford Borough Council	AA	3,000,000	0.95%
London Borough of Hounslow	AA	5,000,000	0.75%
Thurrock Borough Council	AA	7,000,000	0.78% - 0.92%
Bank of Scotland PLC (RFB)	A+	20,000,000	1.10% - 1.25%
Barclays Bank PLC (NRFB)	A+	4,478,862	0.65%
HSBC UK Bank PLC (RFB)	A+	5,000,000	1.01%
Lloyds Bank Plc (RFB)	A+	20,000,000	1.10% - 1.25%
Fixed Term Deposits (Original Term More than One Year)			
Rugby Borough Council	AA	10,000,000	1.60%
Allia Ltd	Unrated	2,200,000	2.40%

Counterparty	Link Credit Rating	Principal (£)	Yield
Variable Net Asset Value Funds			
JP Morgan Managed Reserves Fund	AA	5,000,000	1.10%
Payden Sterling Reserve Fund	AAA	5,000,000	0.97%
Royal London Cash Plus Fund	AAA	5,000,000	0.79%
CCLA Local Authorities Property Fund	Unrated	15,000,000	4.32%
Loans to Other Organisations (over 1 year)			
Cambridge Investment Partnership (Mill Road)	Unrated	4,900,000	5.00%
Cambridge Investment Partnership (Cromwell Road)	Unrated	27,000,000	2%
Housing Company Loan	Unrated	7,500,000	2.02%
TOTAL:-		157,078,862	

- 10.2 There is no risk to the capital invested (other than the risk of failure of the financial institution) for fixed term deposits and constant net asset value money market funds.
- 10.3 The Council continually reviews its investment policy and has identified concerns in relation to property holdings within the retail sector. As the Council has a £15 million stake in the CCLA Local Authorities' Property Fund, it has taken steps to be in constant dialogue with our relationship manager to assess any changes in their retail sector holdings. He confirmed that the fund holds a small high-quality retail investment portfolio (shops) equating to around 3.9% of their total investments.

- 10.4 The Council has made a loan of £7.5 million to Cambridge City Council Housing Company (CCHC), a wholly owned subsidiary. This loan earns 2.02% and is secured on the properties owned by the company.
- 10.5 The Council also began making loans to CIP, a joint venture, in 2019/20 – see paragraph 5.8 for further details.

11. Brexit update

- 11.1 Following the general election held on 12 December 2019 the result was a majority for the Conservatives. The Government's stated target is to leave the EU on 31 January 2020.
- 11.2 The Council will continue to monitor the situation and to take advice from its treasury advisors as appropriate.

12. Interest rates and interest received

- 12.1 In support of effective forecasting the Council needs to be aware of the potential influence of interest rates on its treasury management. The Council is provided with regular interest rate forecasts by its treasury advisors, and the latest forecast is presented at Appendix B.
- 12.2 Total interest and dividends of £1,345,600 has been received on the Council's deposits up to 31st December 2019 (for this financial year) at an average rate of 1.44% (1.29% in 2018/19). This is broadly in line with the Council's interest budget.
- 12.3 In addition, the council has earned £334,950 to 31st December 2019 on loans provided to CIP and CCHC.

13. Implications

(a) Financial Implications

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

(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.

14. Consultation and communication considerations

None required.

15. Background papers

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

16. Appendices

Appendix A – The Council's current counterparty list

Appendix B – Link's opinion on UK forecast interest rates

Appendix C – Prudential and Treasury Management Indicators

Appendix D – Glossary of terms and abbreviations

17. Inspection of papers

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

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Appendix A

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

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 – 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

Name	Council's current deposit period	Category	Limit (£)
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
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	Using Link's Credit Criteria	UK Banks and UK Nationalised Banks	30m
Svenska Handelsbanken UK	Using Link's Credit Criteria	UK Bank	5m
Enhanced Cash Funds (Standard & Poor's: AAAf/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 (AAAf) – CNAV, VNAV & LVNAV	Liquid Rolling Balance	Financial Instrument	15m (per fund) with no maximum limit overall

Name	Council's current deposit period	Category	Limit (£)
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
Name	Council's current deposit period	Asset Value (£'m) – as at 27 th November 2019	Limit (£)
Other specified investments - UK building societies:-			
Nationwide Building Society	1 month or in line with Link's Credit Criteria, if longer	236,035	Assets greater than £100,000m - £20m
Yorkshire Building Society		50,417	
Coventry Building Society		45,446	
Skipton Building Society		21,638	
Leeds Building Society		19,643	
Principality Building Society		9,502	
West Bromwich Building Society		5,552	

Name	Council's current deposit period	Category	Limit (£)
Non-specified investments:-			
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
CCHC Investment *	Rolling Balance	Loan (Asset Security)	7,500,000
Cambridge Investment Partnership (Mill Road)*	Rolling Balance	Loan (Asset Security)	17,800,000
Cambridge Investment Partnership (Cromwell Road)*	Rolling Balance	Loan (Asset Security)	48,300,000
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)

Name	Council's current deposit period	Category	Limit (£)
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)
Commercial Property Investments funded from cash balances	Over 1 year	Commercial Property	20m (in total)
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
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 (excluding balances with related parties) will not exceed £50 million.

Appendix B

LAS opinion on forecast UK interest rates – as currently predicted

Introduction

The paragraphs that follow reflect the views of the Council's treasury management advisors (Link Asset Services) on UK Interest Rates as currently predicted.

Interest rates

The last interest rate hike, where Members of the Bank of England Monetary Policy Committee (MPC) increased the bank rate by 0.25% to 0.75%, with no changes to the current Quantitative Easing (QE) value of £435 billion, was on 2 August 2018. The vote was 9-0 in favour of an increase to the bank rate. Going forward, Link Asset Services has provided the following interest rate forecast issued on 11 November 2019:-

	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank rate	0.75%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.00%	1.00%
3 month LIBID	0.70%	0.70%	0.70%	0.80%	0.90%	1.00%	1.00%	1.00%	1.10%	1.20%
6 month LIBID	0.80%	0.80%	0.80%	0.90%	1.00%	1.10%	1.10%	1.20%	1.30%	1.40%
12 month LIBID	1.00%	1.00%	1.00%	1.10%	1.20%	1.30%	1.30%	1.40%	1.50%	1.60%
5yr PWLB rate	2.30%	2.40%	2.40%	2.50%	2.50%	2.60%	2.70%	2.80%	2.90%	2.90%
10yr PWLB rate	2.60%	2.70%	2.70%	2.70%	2.80%	2.90%	3.00%	3.70%	3.20%	3.20%
25yr PWLB rate	3.20%	3.30%	3.40%	3.40%	3.50%	3.60%	3.70%	3.60%	3.80%	3.90%
50yr PWLB rate	3.10%	3.20%	3.30%	3.30%	3.40%	3.50%	3.60%	3.20%	3.70%	3.80%

Appendix C

PRUDENTIAL AND TREASURY MANAGEMENT INDICATORS

	Estimate 2019/20 £'000	Estimate 2020/21 £'000	Estimate 2021/22 £'000	Estimate 2022/23 £'000	Estimate 2023/24 £'000
PRUDENTIAL INDICATORS					
Capital expenditure					
- General Fund	44,893	34,839	31,689	19,907	30,739
- HRA	44,825	60,118	60,233	40,828	29,572
Total	89,718	94,957	91,922	60,735	60,311
Capital Financing Requirement (CFR) as at 31 March					
- General Fund	42,883	73,826	102,963	120,871	149,641
- HRA	214,321	214,321	214,321	215,422	217,926
Total	257,204	288,147	317,284	336,293	367,567
Change in the CFR					
	24,197	30,943	29,137	19,009	31,274
Deposits at 31 March	105,000	60,600	35,600	54,800	73,200
External Gross Debt	213,572	223,316	249,837	269,472	301,372
Ratio of financing costs to net revenue stream					
-General Fund	-1,507	-1,965	-1,784	-1,404	-1,142
-HRA	6,951	7,042	7,187	7,313	7,352
Total	5,444	5,077	5,403	5,909	6,210
% of net revenue expenditure					
-General Fund	-8.08%	-10.02%	-8.84%	-6.96%	-5.66%
-HRA	16.63%	16.22%	15.80%	14.97%	14.33%
Total (%)	8.55%	6.20%	6.96%	8.01%	8.67%

PRUDENTIAL & TREASURY MANAGEMENT INDICATORS

	Estimate 2019/20 £'000	Estimate 2020/21 £'000	Estimate 2021/22 £'000	Estimate 2022/23 £'000	Estimate 2023/24 £'000
TREASURY INDICATORS					
Authorised limit					
for borrowing	400,000	400,000	400,000	400,000	400,000
for other long term liabilities*	2,000	2,000	2,000	2,000	2,000
Total	402,000	402,000	402,000	402,000	402,000
Operational boundary					
for borrowing	262,204	293,147	322,284	341,293	372,567
for other long term liabilities*	1,841	1,699	1,553	1,390	1,222
Total	264,045	294,846	323,837	342,683	373,789
Upper limit for total principal sums deposited for over 364 days	50,000	50,000	50,000	50,000	50,000
Upper limit for fixed & variable interest rate exposure					
Net interest on fixed rate borrowing/deposits	5,442	5,075	5,401	5,907	6,208
Net interest on variable rate borrowing/deposits	-15	-15	-15	-17	-17
Maturity structure of new fixed rate borrowing		Upper Limit	Lower Limit		
10 years and above (PWLB borrowing for HRA Reform)		100%	100%		

* - Other long term liabilities include lease liabilities assessed under International Financial Reporting Standard (IFRS) 16, which is due for implementation from April 2020. The 2019/20 figure is shown for comparative purposes.

Appendix D

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
MHCLG	Ministry for Housing, Communities & Local Government (formerly the Department for Communities & Local Government, DCLG)
Enhanced Cash Funds	Higher yielding funds typically for investments exceeding 3 months

Term	Definition
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)
HRA	Housing Revenue Account - a 'ring-fenced' account for local authority housing 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
Low Volatility Net Asset Value (LVNAV)	Highly liquid sovereign stock based on a Constant Net Asset Value (CNAV)
Non Ring Fenced Bank (NRFB)	Government & Bank of England rules apply to all UK Banks from 1 January 2019, requiring them to split their business into 'core' retail and investment units known as Ring and Non Ring Fenced Banks
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 and 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 apply to all UK Banks from 1 January 2019, requiring them to split their business into 'core' retail and investment units known as Ring and Non Ring Fenced Banks
Security	A measure of the creditworthiness of a counterparty
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
Variable Net Asset Value (VNAV)	MMF values based on daily market fluctuations to 2 decimal places known as mark-to-market prices
UK Government Treasury Bills	Short-term securities with a maximum maturity of 6 months issued by HM Treasury
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