

Item

**ANNUAL TREASURY MANAGEMENT (OUTTURN) REPORT
2019/20**



To:

The Executive Councillor for Finance & Resources:

Councillor Richard Robertson Strategy & Resources Scrutiny Committee
06/07/2020

Report by:

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Wards affected:

All Wards

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 2019/20 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 2019/20.

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 2020 (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 2019/20

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.

The figures quoted in last year's Treasury Management Outturn Report for 2018/19, were at the pre-external audit stage. The Statement of Accounts audit for that year has recently been concluded. Following from this audit, some financing will now take place in subsequent years, with a Technical Adjustment in 2018/19 of £35,206k, applied, to reflect this. A break-down of this figure is shown as a footnote at the bottom of the table, below.

	2018/19 £'000 Actual*	2019/20 £'000 Current Budget **	2019/20 £'000 Actual
General Fund capital expenditure	29,112	44,893	19,455
HRA capital expenditure	30,902	44,825	37,741
Total capital expenditure	60,014	89,718	57,196
Resourced by:			
• Capital receipts	-25,895	-11,716	-10,796
• Other contributions	-34,119	-53,356	-46,163
Total available resources for financing capital expenditure	-60,014	-65,072	-56,959
Technical Adjustment	35,206	-	-
Financed from/(to) cash balances	35,206	24,646	237

* 2018/19 Technical Adjustment comprises of Unfinanced Capital Expenditure as follows:- Commercial Properties, £1,230k, Clay Farm Community Centre (prior years financing), (-) £74k, Allia Bond, £2,200k, Loan to CIP for Cromwell Road, £27,000k and Loan to CIP for Mill Road, £4,850k.

* * Per Annual Treasury Management Strategy Report agreed by Council on 21st February 2019.

3.3 The Council's overall borrowing need & Minimum Revenue Provision Statement (MRP)

During 2019/20, there was no requirement for external borrowing. Financing of capital expenditure from cash balances of £237k shown in the above table, was met using internal borrowing.

The total voluntary MRP overpaid and applied for 2019/20 was £13,032,500, not £12,545,000, as estimated in the Annual Treasury Management Strategy Report that went to Council on 25th February 2020. The reason for the difference was accelerated capital receipts for K1 (Orchard Park).

3.4 Current Debt as at 31st March 2020

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 17 th October 2019	400,000
PWLB Borrowing (for HRA Self-Financing, B)	213,572
Headroom (A minus B)	186,428
2012/13, 2013/14, 2014/15, 2015/16, 2016/17, 2017/18, 2018/19 and 2019/20 External Borrowing	NIL
Total Current Headroom (A minus B)	186,428

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 2020

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 2019/20 against 2018/19.

<u>Actual Returns</u>	2018/2019		2019/2020	
	Average Deposits (£m)	Average Rate of Return	Average Deposits (£m)	Average Rate of Return
Fixed Short-Term (<365 days)	51.96	0.87%	58.42	1.09%
Call/Overnight Accounts	3.12	0.55%	2.21	0.62%
Enhanced Cash Funds	10.00	0.67%	13.51	0.94%
Fixed Long-Term (>365 days)	21.53	0.97%	20.30	1.33%
Money Market Funds	13.16	0.62%	14.77	0.74%
CCLA Local Authorities' Property Fund	15.00	4.39%	15.00	4.30%
<u>Overall Deposit Return</u>	114.77	1.29%	124.21	1.45%
<u>Benchmark Returns</u>	2018/2019		2019/2020	
	Offer (LIBOR)	Bid (LIBID)	Offer (LIBOR)	Bid (LIBID)
Average	0.78%	0.65%	0.75%	0.63%

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 31st March 2020.

- 3.6 Total interest and dividends of £1,839,333 have been earned on the Council's deposits during 2019/20 at an average rate of 1.45% (1.29% in 2018/19). This has resulted in an overall over-achievement on the interest and dividends income budget of £49k.
- 3.7 The interest earned for CCLA Local Authorities' Property Fund for 2019/20 amounted to £678,662 (which is included in paragraph 3.6, above) which equated to an annual yield of 4.30% (4.39% in 2018/19).
- 3.8 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 31st March 2020.
- 4.2 The Bank of England's May 2020 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 unhealthy following the COVID 19 Pandemic. The Bank of England's Base Rate was therefore cut to 0.10% (previously 0.25%, with 9 to 0 majority) and quantitative easing to £645bn were made. Noticeable decreases in employment were observed with around 8m employees being 'furloughed' using Government initiatives, such as the Job Retention Scheme.
- 4.3 CPI inflation did reduce, though, during March 2020 to around 1.5%. 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. Growth forecasts are also expected to fall significantly.

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. 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.

8. Consultation and communication considerations

None required.

9. Background papers

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

10. Appendices

- 10.1 Appendix A – The Council’s deposits as at 31st March 2020
- Appendix B – Link’s opinion on UK interest rates
- Appendix C – Prudential Indicators – Outturn for 2019/20
- Appendix D – Current Counterparty List
- Appendix E – Glossary of Terms and Abbreviations

11. Inspection of papers

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

Author’s Name:
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TREASURY MANAGEMENT POSITION AS AT 31st March 2020

CURRENT DEPOSITS

The Council's deposits as at 31st March 2020 are shown in the table below:-

Counterparty	% Rate	Duration	Principal (£'000)
Fixed Term Deposits			
Lloyds Bank Plc (RFB)	1.25	1 year	5,000
Bank of Scotland PLC (RFB)	1.25	1 year	5,000
Bank of Scotland PLC (RFB)	1.25	1 year	2,000
Bank of Scotland PLC (RFB)	1.25	1 year	5,000
Bank of Scotland PLC (RFB)	1.25	1 year	4,000
Guildford Borough Council	0.95	1 year	3,000
Thurrock Borough Council	0.85	9 months	2,000
Lloyds Bank Plc (RFB)	1.25	1 year	3,000
HSBC UK Bank PLC (RFB)	1.01	1 year	5,000
Bank of Scotland PLC (RFB)	1.10	1 year	1,000
Lloyds Bank Plc (RFB)	1.10	1 year	1,000
London Borough of Croydon	0.87	1 year	3,000
Lloyds Bank Plc (RFB)	1.10	1 year	5,000
Lloyds Bank Plc (RFB)	1.10	1 year	6,000
Warrington Borough Council	1.25	8 months	5,000
Rugby Borough Council	1.60	2 years	5,000
Rugby Borough Council	1.60	2 years	5,000
Allia Ltd	2.40	5 years	2,200
Total Fixed Term Deposits			67,200
Variable Rate Notice Accounts			
Barclays Bank Plc	0.00	Same Day	1,446
CCLA Local Authorities' Property Fund	4.36	5 years	15,000
Aberdeen Liquidity Fund (Lux) – Sterling Fund (Class L1)	0.48311	Same Day	11,000
Payden Sterling Reserve Fund	0.96035	4 Day	5,000
Royal London Cash Plus Fund Y (Gross Inc)	0.97105	3 Day	5,000
JP Morgan Managed Reserves Fund	1.10000	2 Day	5,000
Total Variable Rate Notice Accounts			42,446
TOTAL	-	-	109,646

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 31ST MARCH 2020

Economic growth in 2019 has been very volatile with quarter 1 unexpectedly strong at 0.5%, quarter 2 dire at -0.2%, quarter 3 bouncing back up to +0.5% and quarter 4 flat at 0.0%, +1.1% y/y. 2020 started with optimistic business surveys pointing to an upswing in growth after the ending of political uncertainty as a result of the decisive result of the general election in December settled the Brexit issue. However, the three monthly GDP statistics in January were disappointing, being stuck at 0.0% growth. Since then, the whole world has changed as a result of the **coronavirus outbreak**. It now looks likely that the closedown of whole sections of the economy will result in a fall in GDP of at least 15% in quarter two. What is uncertain, however, is the extent of the damage that will be done to businesses by the end of the lock down period, when the end of the lock down will occur, whether there could be a second wave of the outbreak, how soon a vaccine will be created and then how quickly it can be administered to the population. This leaves huge uncertainties as to how quickly the economy will recover.

After the Monetary Policy Committee raised **Bank Rate** from 0.5% to 0.75% in August 2018, Brexit uncertainty caused the MPC to sit on its hands and to do nothing until March 2020; at this point it was abundantly clear that the coronavirus outbreak posed a huge threat to the economy of the UK. Two emergency cuts in Bank Rate from 0.75% occurred in March, first to 0.25% and then to 0.10%. These cuts were accompanied by an increase in **quantitative easing (QE)**, essentially the purchases of gilts (mainly) by the Bank of England of £200bn. The Government and the Bank were also very concerned to stop people losing their jobs during this lock down period. Accordingly, the Government introduced various schemes to subsidise both employed and self-employed jobs for three months while the country is locked down. It also put in place a raft of other measures to help businesses access loans from their banks, (with the Government providing guarantees to the banks against losses), to tide them over the lock down period when some firms may have little or no income. However, at the time of writing, this leaves open a question as to whether some firms will be solvent, even if they take out such loans, and some may also choose to close as there is, and will be, insufficient demand for their services. At the time of writing, this is a rapidly evolving situation so there may be further measures to come from the Bank and the Government in April and beyond. The measures to support jobs and businesses already taken by the Government will result in a huge increase in the annual budget deficit in 2020/21 from 2%, to nearly 11%. The ratio of debt to GDP is also likely to increase from 80% to around 105%. In the Budget in March, the Government also announced a large increase in spending on infrastructure; this will also help the economy to recover once the lock down is ended. Provided the coronavirus outbreak is brought under control relatively swiftly, and the lock down is eased, then it is hoped that there would be a sharp recovery, but one that would take a prolonged time to fully recover previous lost momentum.

Inflation has posed little concern for the MPC during the last year, being mainly between 1.5 – 2.0%. It is also not going to be an issue for the near future as the world economy will be heading into a recession which is already causing a glut in the supply of oil which has fallen sharply in price. Other prices will also be under downward pressure while wage inflation has also been on a downward path over the last half year and is likely to continue that trend in the current environment. While inflation could even turn negative in the Eurozone, this is currently not likely in the UK.

Employment had been growing healthily through the last year but it is obviously heading for a big hit in March – April 2020. The good news over the last year is that wage inflation has been significantly higher than CPI inflation which means that consumer real spending power had been increasing and so will have provided support to GDP growth. However, while people cannot leave their homes to do non-food shopping, retail sales will also take a big hit.

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 for the foreseeable future.

	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
BANK RATE	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
3 month LIBID	0.45%	0.40%	0.35%	0.30%	0.30%	0.30%	0.30%	0.30%
6 month LIBID	0.60%	0.55%	0.50%	0.45%	0.40%	0.40%	0.40%	0.40%
12 month LIBID	0.75%	0.70%	0.65%	0.60%	0.55%	0.55%	0.55%	0.55%
5yr PWLB	1.90%	1.90%	1.90%	2.00%	2.00%	2.00%	2.10%	2.10%
10yr PWLB	2.10%	2.10%	2.10%	2.20%	2.20%	2.20%	2.30%	2.30%
25yr PWLB	2.50%	2.50%	2.50%	2.60%	2.60%	2.60%	2.70%	2.70%
50yr PWLB	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%

Link's Issue Date:- 31st March 2020

PRUDENTIAL & TREASURY MANAGEMENT INDICATORS

	Actual 2018/19 £'000	Current Budget* 2019/20 £'000	Actual 2019/20 £'000
PRUDENTIAL INDICATORS			
Capital expenditure			
- General Fund	29,112	44,893	19,455
- HRA	30,902	44,825	37,741
Total	60,014	89,718	57,196
Capital Financing Requirement (CFR) as at 31 March			
- General Fund	71,652	42,883	69,533
- HRA	203,692	214,321	205,835
Total	275,344	257,204	275,368
Change in the CFR (Note 2)	34,752	24,197	24
Deposits at 31 March (Note 3)	104,377	105,000	109,646
External Gross Debt	213,572	213,572	213,572
Ratio of financing costs to net revenue stream			
-General Fund	-2.66%	-8.08%	-6.94%
-HRA	16.28%	16.63%	16.64%
Total	13.62%	8.55%	9.70%

*Note1: Refers to the Council's Annual Treasury Management Strategy Report as agreed by Council on 25th February 2020.

*Note 2: 2018/19 includes the Technical Adjustment discussed in paragraph 3.2 and includes additional financing of capital expenditure of £237k & MRP of (-) 213k for 2019/20.

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

PRUDENTIAL & TREASURY MANAGEMENT INDICATORS

	Actual 2018/19 £'000	Current Budget* 2019/20 £'000	Actual 2019/20 £'000
TREASURY INDICATORS			
Authorised limit			
for borrowing	250,000	400,000	400,000
for other long term liabilities	0	0	0
Total	250,000	400,000	400,000
Operational boundary			
for external borrowing	280,344	262,204	280,368
for other long term liabilities	0	0	0
Total	280,344	262,204	280,368
Upper limit for total principal sums deposited for over 364 days & up to 5 years	50,000	50,000	50,000
Upper limit for fixed & variable interest rate exposure			
Net interest on fixed rate borrowing/deposits	6,141	5,442	5,655
Net interest on variable rate borrowing/deposits	-15	-15	-15
Maturity structure of new fixed rate borrowing		Upper Limit	Lower Limit
10 years and above (PWLB borrowing for HRA Reform)		100%	100%

*Note1: Refers to the Council's Annual Treasury Management Strategy Report as agreed by Council on 25th February 2020.

Annual Treasury Management (Outturn) Report 2019/20

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 (£)
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
National Westminster Bank Plc (NWB) – RFB*	Using Link's Credit Criteria	UK Nationalised Bank	20m

Name	Council's Current Deposit Period	Category	Limit (£)
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	Using Link's Credit Criteria	Non-UK Bank	5m
Enhanced Cash Funds (Standard & Poor's: AAf/S1, Fitch: AA/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
Other Specified Investments - UK Building Societies:-			
Name	Council's Current Deposit Period	Society Asset Value (£'m) – as at 17 th April 2020	Limit (£)
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		52,815	
Coventry Building Society		48,771	Assets between £50,000m and £99,999m - £5m
Skipton Building Society		23,648	
Leeds Building Society		21,162	

Name	Council's Current Deposit Period	Category	Limit (£)
Principality Building Society		10,483	Assets between £5,000m and £49,999m - £2m
West Bromwich Building Society		5,552	
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 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)
Commercial Property Investments funded from cash balances	Over 1 year	Commercial Property	25m (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

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)
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 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
CIP	Cambridge Investment Partnership
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)

Term	Definition
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 st 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

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
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 st 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