

Item

TREASURY MANAGEMENT HALF YEARLY UPDATE REPORT 2020/21

To:

The Executive Councillor for Finance & Resources: Councillor Mike Davey
Strategy & Resources Scrutiny Committee 5th October 2020

Report by:

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Wards affected:

All Wards

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 2017).
- 1.2 This half-year report has been prepared in accordance with the Code and covers the following: -
 - The Council's capital expenditure (Prudential Indicators);
 - A review of compliance with Treasury and Prudential Limits for 2020/21;
 - A review of the Council's borrowing strategy for 2020/21;
 - A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
 - A review of the Council's investment portfolio for 2020/21; and;
 - An update on interest rate forecasts following economic news in the first half of the 2020/21 financial year.
- 1.3 Cash Balances are forecast to stay at past levels at around £105.5 million by the end of this year.

- 1.4 Cash advances to the Cambridge Investment Partnership continue and are increasing in line with latest projections approved by the CIP board. Cash calls of approximately £7.7 million are expected in 2020/21
- 1.5 Interest receipts for the year are projected at £1,221,000 which is £569,000 below budget but is £618,000 lower than last year due mainly to reductions in investment rates.

2. Recommendations

The Executive Councillor is asked to recommend to Council:-

- 2.1 The Council's estimated Prudential and Treasury Indicators 2020/21 to 2023/24 (Appendix A).

3. Background

- 3.1. The Council is required to comply with the CIPFA Prudential Code (December 2017 edition) and the CIPFA Treasury Management Code of Practice (Revised December 2017). 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 Code of Practice 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.
- 3.3 In line with the Code of Practice, all treasury management reports have been presented to both Strategy & Resources Scrutiny Committee and to full Council.
- 3.4 The Council is currently supported in its treasury management functions by specialist advisors who are Link Asset Services. These 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 2020/21 to 2023/24

- 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 2020/21 and is in line with the agreed Capital Plan.

Estimate	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
General Fund Capital Expenditure	60,380	38,411	26,727	31,890
HRA Capital Expenditure	58,596	65,977	104,755	86,386
Total Capital Expenditure	118,976	104,388	131,482	118,276
Resourced by:				
• Capital receipts	-8,102	-6,912	-5,298	-3,303
• Other contributions	-61,830	-63,464	-53,453	-55,054
Total resources available for financing capital expenditure	-69,932	-70,376	-58,751	-58,357
Financed from cash balances & any Prudential Borrowing required	49,044	34,012	72,731	59,919

4.3 In addition to a total of £31.215 million for the Mill Road and Cromwell Road developments, the Medium Term Financial Strategy now includes capital expenditure of £10.400 million for the L2 Orchard Park site. This is General Fund expenditure which will be funded from cash balances. It is reflected in the increase in the Council's Capital Financing Requirement.

5. The Council's Prudential and Treasury Management Indicators

5.1 The table overleaf 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 & External Borrowing Estimate	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
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Capital Financing Requirement & External Borrowing Estimate	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
General Fund Capital Financing Requirement	118,033	151,500	175,203	204,069
HRA Capital Financing Requirement	205,898	205,898	254,381	284,889
Total Capital Financing Requirement	323,931	357,398	429,584	488,958
Movement in the Capital Financing Requirement	48,499	33,467	72,186	59,374
<i>Financed from cash balances & any Prudential Borrowing required</i>	<i>49,044</i>	<i>34,012</i>	<i>72,731</i>	<i>59,919</i>
<i>Minimum Revenue Provision</i>	<i>(545)</i>	<i>(545)</i>	<i>(545)</i>	<i>(545)</i>
Estimated External Gross Debt/Borrowing (Including HRA Reform)	213,572	240,093	307,110	367,014
Authorised Limit for External Debt	400,000	400,000	400,000*	400,000*
Operational Boundary for External Debt	328,931	362,398	434,584	493,958

- 5.2 A further prudential indicator controls the overall level of borrowing externally. This is the Authorised Limit (ABL) which represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. * If the above level of Prudential Borrowing is maintained, this limit (ABL) will require increasing from £400.0m to around £450.0m in 2022/23 & £500.0m in 2023/24.
- 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): -

UPDATE	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
Borrowing up to 31 st August 2020	NIL
Total Current Headroom (A minus B)	186,428

- 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 Current borrowing relates to loans from the PWLB for self-financing dwellings held within the HRA, taken out in 2012 totalling £213,572,000.
- 6.3 The Council's current capital plan requires new external borrowing for the year 2021/22 onwards. This is to support the redevelopment of the Park Street multi-storey car park and for capital schemes under the HRA. However, this will be kept under review as part of the development of the capital plan.
- 6.4 The provision for the repayment of debt is known as the Minimum Revenue Provision (MRP). Regulations require the authority to publish at least annually a policy by which MRP will be determined. This policy was agreed by Council on 25th February 2020. Changes to the policy will be considered and amendments may be proposed in the next Treasury Management strategy, alongside the Council's capital strategy and budget setting report.
- 6.5 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 2021, at least (with the date agreed annually). However, the Council notes the recent HM Treasury Consultation, 'PWLB: future lending terms', which proposes restrictions on borrowing from the PWLB where an authority's capital plan includes commercial schemes in the year that borrowing is required. The Council will review its capital expenditure plans in light of the outcome of this consultation.

7. Investment Portfolio

- 7.1 The Council takes a cautious approach to its Treasury Management Strategy, and the detailed counterparty list with limits is shown within Appendix B.
- 7.2 The average rate of return for all deposits to 31st July 2020 is 1.27%, compared to 1.45% in 2019/20. The current quoted return on the CCLA Local Authorities Property Fund is an annual return of 4.49%. Loans extended to CIP projects on Mill Road and Cromwell Road have an annual return of 5% for working capital loans with 1.3% taken as investment income and the balance transferred to the balance sheet for future allocation to approved projects.
- 7.3 To ensure that minimal risk is present for the Housing Revenue Account (HRA) nominal cash balances, returns from lower risk investments (currently estimated at 0.6%) will be used to transfer interest receipts to the HRA.

- 7.4 Current estimates for 2020/21 include Gross interest receipts of £1,221,000 and net receipts to the General Fund of £827,000 which is £215,000 below the annual budget of £1,042,000. This is mainly due to interest rates being low.
- 7.5 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.

DEPOSIT ANALYSIS Annualised Av Balance	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Short Term – 40%*	42,200	37,280	48,880	48,480	33,800
Medium Term - 30%*	31,650	27,960	36,660	36,360	25,350
Long Term – 30%*	31,650	27,960	36,660	36,360	25,350
TOTAL	105,500	93,200	122,200	121,200	84,500

*Based on current estimated net cash inflow trends.

- 7.6 The Council's balances reduce in line with the cash requirements of the Cambridge Investment Partnership redevelopments of Mill Road and Cromwell Road and an enhanced HRA capital plan to further increase Affordable homes in the City. Balances increase as loans start to be repaid and additional rent receipts are present in the HRA Business plan. Lending to CIP, including land values of £32,240,000, is estimated to peak at £17,800,000 for Mill Road (Land £5,240,000) in 2020/21 and £48,300,000 for Cromwell Road (Land £27,000,000) in 2021/22. All loans are secured against assets in various CIP limited companies.
- 7.7 An analysis of the sources of the Council's deposits is prepared from the balance sheet at the end of each financial year. The analysis for 31 March 2020 is shown at Appendix C.

8. Update on the exit from the European Union (EU) & COVID-19

- 8.1 The 2016 referendum result generated some uncertainty in the investment markets, and current events continue to disrupt the markets. The council will continue to seek out asset backed securities wherever possible as mitigation in these uncertain times. Since that referendum the United Kingdom left the EU on 31st January 2020 with a year to negotiate an 'exit deal'.
- 8.2 COVID-19 has placed downward trends on world-wide money markets. This will continue for some time particularly with fears around a 'spike' in infection rates looming.

9. Interest Rates

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

10. Implications

(a) Financial Implications

This is a financial report and implications are included in the detailed paragraphs as appropriate.

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

(b) Staffing Implications

None.

(c) Equality and Poverty Implications

None.

(d) Environmental Implications

None

(e) Procurement Implications

None.

(f) Community Safety Implications

No community safety implications.

11. Consultation and communication considerations

None required.

12. Background papers

No background papers were used in the preparation of 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 – Link's opinion on UK Forecast Interest Rates

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

Estimates	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
PRUDENTIAL INDICATORS				
Capital expenditure				
- General Fund	60,380	38,411	26,727	31,890
- HRA	58,596	65,977	104,755	86,386
Total	118,976	104,388	131,482	118,276
Capital Financing Requirement (CFR) as at 31 March				
- General Fund	118,033	151,500	175,203	204,069
- HRA	205,898	205,898	254,381	284,889
Total	323,931	357,398	429,584	488,958
Change in the CFR	48,499	33,467	72,186	59,374
Deposits at 31 March (Average cash balances annualised)				
	105,500	93,200	122,200	121,200
External Gross Debt	213,572	240,093	307,110	367,014
Ratio of financing costs to net revenue stream				
-General Fund	-823	-259	624	1,178
-HRA	7,098	7,206	8,299	8,965
Total	6,275	6,947	8,923	10,143
% of net revenue expenditure				
-General Fund	-4.31%	-1.70%	3.92%	10.96%
-HRA	16.35%	16.13%	17.82%	17.97%
Total (%)	12.04%	14.43%	21.74%	28.93%

PRUDENTIAL & TREASURY MANAGEMENT INDICATORS

	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*
for other long-term liabilities	0	0	0	0
Total	400,000	400,000	400,000*	400,000*
Operational boundary				
for borrowing	328,931	362,398	434,584	493,958
for other long-term liabilities	0	0	0	0
Total	328,931	362,398	434,584	493,958
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	6,275	7,477	13,863	13,812
Net interest on variable rate borrowing/deposits	-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%	

*To be increased to £450.0m in 2022/23 & £500.0m in 2023/24.

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 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
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

Name	Council's Current Deposit Period	Category	Limit (£)
Svenska Handelsbanken	Using Link's Credit Criteria	Non-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
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 12 th August 2020	Limit (£)
Nationwide Building Society	1 month or in line with Link's Credit Criteria, if longer	245,732	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	
Principality Building Society		10,483	Assets between £5,000m and £49,999m - £2m
West Bromwich Building Society		5,565	
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 (CCHC) Working Capital Loan *	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

Name	Council's Current Deposit Period	Category	Limit (£)
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)
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	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
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 £50m.

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 £1.5m each year based on current deposit and interest rate levels.

At 1st April 2020, the Council had deposits of £108.840m. The table below provides a sources breakdown of the funds deposited at that date: -

Funds Deposited as at 1 April 2020	£'000	£'000
Working Capital		23,393
General Fund:		
General Reserve	17,470	
Asset Renewal Reserves	2,100	
Other Earmarked Reserves	15,513	35,083
Housing Revenue Account (HRA): -		
General Reserve	15,083	
Asset Renewal Reserves	14,705	
Major Repairs Reserve	9,801	
Other Earmarked Reserves	2,552	
Capital Financing Requirement (Including HRA)	-275,368	
PWLB Borrowing for HRA	213,572	-19,655
Capital:		
Capital Contributions Unapplied	23,362	
Usable Capital Receipts	46,657	70,019
Total Deposited		108,840

The HRA accounts for around 60% of reserves deposited.

Link'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 (Link) on UK Interest Rates as currently predicted.

Interest rates

Members of the Bank of England Monetary Policy Committee (MPC) kept the bank rate at 0.10% and kept Quantitative Easing (QE) at £745bn, on 17th September 2020. Going-forward, the Council's treasury advisor, Link, has provided the following interest rate forecasts, issued on 17th September 2020:-

	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank rate	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	-	-	-	-
3 month LIBID	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	-	-	-	-
6 month LIBID	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	-	-	-	-
12 month LIBID	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	-	-	-	-
5yr PWLB rate	1.90%	1.90%	2.00%	2.00%	2.00%	2.00%	2.00%	2.10%	2.10%	2.10%	2.10%
10yr PWLB rate	2.10%	2.10%	2.10%	2.10%	2.10%	2.10%	2.10%	2.20%	2.30%	2.30%	2.30%
25yr PWLB rate	2.50%	2.50%	2.50%	2.50%	2.60%	2.60%	2.60%	2.70%	2.70%	2.70%	2.70%
50yr PWLB rate	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.50%	2.50%

The actual vote by the MPC on 17th September 2020 was unanimous at 9-0 in favour of keeping the bank rate unchanged.

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 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, 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
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 st January 2019 deadline
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
UK Government Treasury Bills	Short-term securities with a maximum maturity of 6 months issued by HM Treasury
Variable Net Asset Value (VNAV)	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