

Item  
**ANNUAL TREASURY MANAGEMENT STRATEGY  
STATEMENT REPORT 2021/22 TO 2024/25**



**To:**

The Executive Councillor for Finance & Resources: Councillor Mike Davey  
Strategy & Resources Scrutiny Committee 8<sup>th</sup> February 2021

**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 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 affordable. Where there are risks such as the slippage of capital expenditure, or reductions in investment values or income, these have been reviewed and mitigated 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.

## 2. **Recommendations**

- 2.1 The Executive Councillor is asked to recommend this report to Council, including the estimated Prudential & Treasury Indicators for 2021/22 to 2024/25 (inclusive) as set out in Appendix C.
- 2.2 The Executive Councillor is asked to recommend to Council that the authorised limit for external debt is increased from £400 million to £450

million on 1 April 2022, and to £550 million on 1 April 2023, in order to provide sufficient headroom for external borrowing to finance the HRA new build programme in accordance with the HRA capital plan.

### **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 1<sup>st</sup> 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 does anticipate taking further external borrowing of approximately £219 million during the period 2021/22 to 2024/25, including approximately £91 million to fund the Park Street redevelopment project and £119 million to fund Council house building 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 31<sup>st</sup> October 2021.

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

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 Capital Financing Requirement (CFR) is nil or negative at the end of the preceding financial year.

5.4 The Housing Revenue Account share 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 a minimum revenue provision 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 continues to make 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 are appropriately covered by assets in the CIP and as there are detailed plans to demonstrate that all investment in the 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 In 2019/20, the Council made a voluntary overpayment of MRP of £9,545k.

## **6. The Council's Capital Expenditure and Financing 2020/21 to 2024/25**

- 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. Note that this includes both capital expenditure which has been approved through the formal budget setting process, along with forecast capital pressures for which no bid has yet been submitted.

	<b>2020/21 Estimate £'000</b>	<b>2021/22 Estimate £'000</b>	<b>2022/23 Estimate £'000</b>	<b>2023/24 Estimate £'000</b>	<b>2024/25 Estimate £'000</b>
General Fund Capital Expenditure	60,960	41,760	31,291	40,348	13,156
HRA Capital Expenditure	53,789	67,845	97,897	92,192	89,386
<b>Total Capital Expenditure</b>	<b>114,749</b>	<b>109,605</b>	<b>129,188</b>	<b>132,540</b>	<b>102,542</b>
<b>Resourced by:</b>					
• Capital receipts	-13,135	-13,634	-8,695	-9,367	-4,511
• Other contributions	-55,753	-63,665	-43,260	-54,127	-55,023
<b>Total available resources for financing capital expenditure</b>	<b>-68,888</b>	<b>-77,299</b>	<b>-51,955</b>	<b>-63,494</b>	<b>-59,534</b>
<b>Financed from internal and external borrowing</b>	<b>45,861</b>	<b>32,306</b>	<b>77,233</b>	<b>69,046</b>	<b>43,008</b>

## 7. The Council's Prudential and Treasury Management Indicators

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

<b>Capital Financing Requirement &amp; Cumulative External Borrowing</b>	<b>2020/21 Estimate £'000</b>	<b>2021/22 Estimate £'000</b>	<b>2022/23 Estimate £'000</b>	<b>2023/24 Estimate £'000</b>	<b>2024/25 Estimate £'000</b>
General Fund Capital Financing Requirement	114,894	146,639	171,210	204,907	215,411
HRA Capital Financing Requirement	205,835	205,835	257,936	292,724	324,667
<b>Total Capital Financing Requirement</b>	<b>320,729</b>	<b>352,474</b>	<b>429,146</b>	<b>497,631</b>	<b>540,078</b>
<b>Movement in the Capital Financing Requirement</b>	<b>45,300*</b>	<b>31,745*</b>	<b>76,672*</b>	<b>68,485*</b>	<b>42,447*</b>
Estimated External Gross Debt/Borrowing (Including HRA Reform)	213,572	245,317	321,989	390,474	432,921
Authorised Limit for External Debt	400,000	400,000	450,000	550,000	550,000
Operational Boundary for External Debt	325,729	357,474	434,146	502,631	545,078

\*After Minimum Revenue Provision (MRP) of £561,000.

7.2 A further prudential indicator controls the overall level of borrowing externally. This is the Authorised Borrowing 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 £450.0m in 2022/23, and £550.0m in 2023/24.

7.3 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 & 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.

9.2 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.

9.3 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.

9.4 The Council has made a loan of £7.5 million to Cambridge City Council Housing Company, a wholly owned subsidiary. This loan earns 2.02% and is secured on the properties owned by the company.

9.5 The Council has also begun making loans to Cambridge Investment Partnership, a joint venture – see paragraph 5.8 for further details.

## **10. Brexit Update**

10.1 The Government's stated target is to leave the EU on 1 January 2021, which it did with a deal.

10.2 The Council will continue to monitor the situation and to take advice from its treasury advisors as appropriate.

## **11. Interest Rates & Interest Received**

- 11.1 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.
- 11.2 Total interest and dividends of £1,138,100 (on our traditional treasury investments) has been received on the Council's deposits up to 31<sup>st</sup> December 2020 (for this financial year) at an average rate of 1.17% (1.44% in 2019/20). This has over-achieved the Council's interest budget by £171,100 at this date.

## **12. 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.

## **13. Consultation and communication considerations**

None required.

## **14. Background papers**

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

## **15. Appendices**

Appendix A – The Council's current Counterparty list

Appendix B – Link's opinion on UK Forecast Interest Rates

## 16. 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 (£)
<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
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
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>Name</b>	<b>Council's Current Deposit Period</b>	<b>Asset Value (£'m) – as at 23<sup>rd</sup> November 2020</b>	<b>Limit (£)</b>
<b>Other Specified Investments - UK Building Societies:-</b>			
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	

Skipton Building Society		23,648	Assets between £50,000m and £99,999m - £5m
Leeds Building Society		21,162	
Principality Building Society		10,483	
West Bromwich Building Society		5,565	Assets between £5,000m and £49,999m - £2m
<b>Non-Specified Investments:-</b>			
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
<b>Name</b>	<b>Council's Current Deposit Period</b>	<b>Category</b>	<b>Limit (£)</b>
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: AAf/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 £50 million.

## Appendix B

### Link Asset Services 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 Bank of England voted unanimously to keep interest rates on hold at 0.10%.

In addition, they have decided unanimously to maintain their policy on government bonds and sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves and allowing them to maintain the target for the total stock of asset purchases at £745 billion. The vote took place on 17 September 2020. The vote was 9-0 in favour to keep Bank Rate unchanged. Link Asset Services has provided the following interest rate forecast, also issued on 17 September 2020:-

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

## Appendix C

### PRUDENTIAL & TREASURY MANAGEMENT INDICATORS

	Estimate 2020/21 £'000	Estimate 2021/22 £'000	Estimate 2022/23 £'000	Estimate 2023/24 £'000	Estimate 2024/25 £'000
<b>PRUDENTIAL INDICATORS</b>					
<b>Capital expenditure</b>					
- General Fund	60,960	41,760	31,291	40,348	13,156
- HRA	53,789	67,845	97,897	92,192	89,386
<b>Total</b>	<b>114,749</b>	<b>109,605</b>	<b>129,188</b>	<b>132,540</b>	<b>102,542</b>

	Estimate 2020/21 £'000	Estimate 2021/22 £'000	Estimate 2022/23 £'000	Estimate 2023/24 £'000	Estimate 2024/25 £'000
<b>Capital Financing Requirement (CFR) as at 31 March</b>					
- General Fund	114,894	146,639	171,210	204,907	215,411
- HRA	205,835	205,835	257,936	292,724	324,667
<b>Total</b>	<b>320,729</b>	<b>352,474</b>	<b>429,146</b>	<b>497,631</b>	<b>540,078</b>
<b>Change in the CFR</b>	<b>45,300*</b>	<b>31,745*</b>	<b>76,672*</b>	<b>68,485*</b>	<b>42,447*</b>
<b>Deposits at 31 March</b>	122,800	112,100	132,900	115,300	95,700
<b>External Gross Debt</b>	213,572	245,317	321,989	390,474	432,921
<b>Ratio of financing costs to net revenue stream</b>					
-General Fund	-1,045	-742	-842	-361	-61
-HRA	7,119	7,263	7,885	8,251	8,508
<b>Total</b>	<b>6,074</b>	<b>6,521</b>	<b>7,043</b>	<b>7,890</b>	<b>8,447</b>
% of net revenue expenditure					
-General Fund	-5.65%	-4.58%	-5.39%	-2.47%	-0.40%
-HRA	16.40%	16.29%	16.64%	16.42%	16.20%
<b>Total (%)</b>	<b>10.75%</b>	<b>11.71%</b>	<b>11.25%</b>	<b>13.95%</b>	<b>15.80%</b>

\*After £561,000 Minimum revenue Provision.

## PRUDENTIAL & TREASURY MANAGEMENT INDICATORS

	Estimate 2020/21 £'000	Estimate 2021/22 £'000	Estimate 2022/23 £'000	Estimate 2023/24 £'000	Estimate 2024/25 £'000
<b>TREASURY INDICATORS</b>					
<b>Authorised limit</b>					
for borrowing	400,000	400,000	450,000	550,000	550,000
for other long term liabilities	0	0	0	0	0
<b>Total</b>	<b>400,000</b>	<b>400,000</b>	<b>450,000</b>	<b>550,000</b>	<b>550,000</b>

<b>Operational boundary</b>					
for borrowing	325,729	357,474	434,146	502,631	545,078
for other long term liabilities	0	0	0	0	0
<b>Total</b>	<b>325,729</b>	<b>357,474</b>	<b>434,146</b>	<b>502,631</b>	<b>545,078</b>
<b>Upper limit for total principal sums deposited for over 364 days</b>					
	50,000	50,000	50,000	50,000	50,000
<b>Upper limit for fixed &amp; variable interest rate exposure</b>					
Net interest on fixed rate borrowing/deposits	6,074	6,844	8,467	8,749	8,003
Net interest on variable rate borrowing/deposits	-15	-15	-17	-17	-17
<b>Maturity structure of new fixed rate borrowing</b>		Upper Limit	Lower Limit		
10 years and above (PWLB borrowing for HRA Reform)		100%	100%		

## 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

Term	Definition
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)
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

<b>Term</b>	<b>Definition</b>
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 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
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

Term	Definition
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
UK Government Treasury Bills	Short-term securities with a maximum maturity of 6 months issued by HM Treasury
Variable Net Asset Value (VNAV)	MMF 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