

Item

**ANNUAL TREASURY MANAGEMENT (OUTTURN) REPORT  
2020/21**



**To:**

The Executive Councillor for Finance & Resources:

Councillor Mike Davey Strategy & Resources Scrutiny Committee

05/07/2021

**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 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 Treasury Management in the Public Services: Code of Practice 2017 (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities 2017 (the Prudential Code) in respect of 2020/21.
- 1.3 During 2020/21 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 Codes of Practice, all treasury management reports are presented to both Strategy & Resources Scrutiny Committee and to full Council.

## **2. Recommendations**

2.1 The Executive Councillor is asked to recommend this report to Council, which includes the Council's actual Prudential and Treasury Indicators for 2020/21.

## **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 and treasury indicators;
- the treasury management position as at 31st March 2021 (Appendix A);
- the Council's treasury management advisors' view on UK interest and investment rates (Appendix B);
- the actual prudential and treasury indicators (Appendix C);
- the counterparty List (Appendix D); and
- a Glossary of Terms and Abbreviations (Appendix E).

## **4. Capital Expenditure and Financing 2020/21**

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

	2019/20 £'000 Actual	2020/21 £'000 Budget *	2020/21 £'000 Actual
General Fund capital expenditure	19,914	34,839	16,771
HRA capital expenditure	37,741	60,118	34,170
<b>Total capital expenditure</b>	<b>57,655</b>	<b>94,957</b>	<b>50,941</b>
<b>Resourced by:</b>			
• Capital receipts	(14,298)	(10,695)	(11,040)
• Other contributions	(33,554)	(52,843)	(28,575)
<b>Total available resources for financing capital expenditure</b>	<b>(47,852)</b>	<b>(63,538)</b>	<b>(39,615)</b>
<b>Financed from/(to) cash balances</b>	<b>9,803</b>	<b>31,419</b>	<b>11,326</b>

\* Per Annual Treasury Management Strategy Report agreed by Council on 25 February 2020.

## 5. Overall borrowing need and Minimum Revenue Provision (MRP) 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 The Council's MRP policy for 2020/21 was set out in the Annual Treasury Management Strategy agreed by Council on 25 February 2020. Under this policy, MRP of £306,000 has been charged in respect of 2020/21.
- 5.4 Local authorities are also permitted to make additional Voluntary Revenue Provision charges in order to accelerate the financing of underlying debt, and reduce annual MRP charges in the future.
- 5.5 No Voluntary Revenue Provision charges were made during 2020/21. As at 31 March 2021, the cumulative total of Voluntary Revenue Provision charges made in previous years was £9,545,000.
- 5.6 During 2020/21, there was no requirement for external borrowing. Financing of capital expenditure from cash balances of £11,326,000 shown in the above table was met using internal borrowing.

## **6. External Debt as at 31 March 2021**

- 6.1 The table below shows the Council's outstanding debt and headroom (the amount of additional borrowing that is possible without breaching the Authorised Borrowing Limit) as at 31 March 2021:

	<b>Principal (£'000)</b>
Authorised Borrowing Limit (A) – agreed by Council on 17 October 2019	400,000
PWLB Borrowing (for HRA Self-Financing, B)	213,572
Headroom (A minus B)	186,428
External borrowing in 2012/13 to 2020/21	NIL
Total current headroom	186,428

6.2 At present the only debt held by the authority relates to the twenty loans from the PWLB for self-financing the HRA.

## **7. Treasury Position as at 31 March 2021**

7.1 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.

7.2 All funds are internally managed.

7.3 The tables below provide a comparison of deposit activity and outturn for 2020/21 against 2019/20.

Actual Returns	2020/21		2019/20	
	Deposit Type	Average Deposits (£m)	Average Rate of Return	Average Deposits (£m)
Fixed Short-Term (<365 days)	64.26	0.58%	58.42	1.09%
Call/Overnight Accounts	1.71	0.00%	2.21	0.62%
Enhanced Cash Funds	15.00	0.81%	13.51	0.94%
Fixed Long-Term (>365 days)	12.20	1.74%	20.30	1.33%
Money Market Funds	19.82	0.15%	14.77	0.74%
CCLA Local Authorities' Property Fund	15.00	4.43%	15.00	4.30%
<b>Overall Deposit Return</b>	<b>127.99</b>	<b>1.09%</b>	<b>124.21</b>	<b>1.45%</b>
Benchmark Returns	2020/21		2019/20	
	Offer (LIBOR)	Bid (LIBID)	Offer (LIBOR)	Bid (LIBID)
<b>Average</b>	<b>0.14%</b>	<b>0.02%</b>	<b>0.75%</b>	<b>0.63%</b>

**Note:**

The 'Benchmark Return' figures are based upon Global Rates (national interest rate reporting website) average money market LIBOR and LIBID rates for periods between 1 night and 1 year as at 31<sup>st</sup> March 2021.

- 7.4 Total interest and dividends of £1,383,000 have been earned on the Council's deposits during 2020/21 (2019/20: £1,839,000) at an average rate of 1.09% (1.45% in 2019/20). This has resulted in an overall over-achievement on the interest and dividends income budget of £93,000.
- 7.5 The figures at paragraph 7.4 above included interest earned on CCLA Local Authorities' Property Fund deposits of £692,000 (2019/20:

£679,000), which equated to an annual yield of 4.43% (4.30% in 2019/20).

7.6 A summary of deposits is shown at Appendix A.

## **8. Interest Rate Update**

8.1 Link Asset Services is the Council's independent treasury advisor. In support of effective forecasting the Council needs to be aware of the potential influence of market interest and investment rates. Link's opinion is presented at Appendix B, and provides an overview as at 31 March 2021.

8.2 The Bank of England's May 2021 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 kept at 0.10% (previously 0.25%, with 9 to 0 majority), with quantitative easing kept at £895 billion. Noticeable decreases in employment were observed with around 8 million employees being 'furloughed' using Government initiatives, such as the Job Retention Scheme.

8.3 CPI inflation reduced during March 2021 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.

## **9. Prudential and Treasury Indicators**

9.1 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.

## **10. Revisions to the Counterparty List**

10.1 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.

## **11. 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**

None

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

None

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

None

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

None

## **12. Consultation and communication considerations**

None required

## **13. Background papers**

No background papers were used in the preparation of this report



## **14. Appendices**

Appendix A – Treasury Management position as at 31 March 2021

Appendix B – Link’s opinion on UK interest and investment rates

Appendix C – Prudential and Treasury Management indicators

Appendix D – Current Counterparty List

Appendix E – Glossary of Terms and Abbreviations

## **15. Inspection of papers**

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

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## TREASURY MANAGEMENT POSITION AS AT 31 MARCH 2021

### CURRENT DEPOSITS

The Council's deposits as at 31 March 2021 are shown in the table below:

Counterparty	% Rate	Duration	Principal (£'000)
<b>Fixed Term Deposits</b>			
Lloyds Bank Plc (RFB)	0.10	6 months	6,000
Plymouth City Council	0.45	9 months	10,000
Cornwall County Council	0.05	4 months	5,000
Warrington Borough Council	0.06	3 months	10,000
South Somerset District Council	0.08	3 months	5,000
Ashford Borough Council	0.05	6 months	5,000
Surrey Heath Borough Council	0.05	6 months	2,000
Guildford Borough Council	0.05	6 months	5,000
London Borough of Haringey	0.12	6 months	5,000
Surrey Heath Borough Council	0.12	6 months	2,000
Mid Suffolk District Council	0.12	6 months	3,000
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
<b>Total Fixed Term Deposits</b>			<b>70,200</b>
<b>Variable Rate Notice Accounts</b>			
Barclays Bank Plc	0.00	Same Day	1,276
CCLA Local Authorities' Property Fund	4.42	5 years	15,000
CCLA - The Public Sector Deposit Fund (Class 4)	0.04	Same Day	13,500
Payden Sterling Reserve Fund	0.52	4 Day	5,000
Royal London Cash Plus Fund Y (Gross Inc)	0.37	3 Day	5,000
JP Morgan Managed Reserves Fund	1.10	2 Day	5,000
<b>Total Variable Rate Notice Accounts</b>			<b>44,776</b>
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>114,976</b>

The above deposits include any forward-deals or forward-renewals that have been agreed (i.e. where the deposit/renewal will take place at a future date).

## LINK'S OPINION ON UK INTEREST AND INVESTMENT RATES AS AT 31 MARCH 2021

**UK.** The Bank of England's Monetary Policy Committee (MPC) kept **Bank Rate** and quantitative easing (QE) unchanged on 4<sup>th</sup> February. However, it revised its economic forecasts to take account of a third national lockdown which started on 5<sup>th</sup> January, which is obviously going to delay economic recovery and do further damage to the economy. Moreover, it had already decided in November to undertake a further tranche of quantitative easing (QE) of £150bn, to start in January when the previous programme of £300bn of QE, announced in March to June 2020, finished. As only about £16bn of the latest £150bn tranche had been used towards the end of January, it felt that there was already sufficient provision for QE - which would be made to last to the end of 2021. This implied that the current rate of purchases of £4.4bn per week would be slowed during the year.

Although its short-term forecasts were cut for 2021, the medium-term forecasts were more optimistic than in November, based on an assumption that the current lockdown will be gradually eased after Q1 as vaccines are gradually rolled out and life can then start to go back to some sort of normality. The Bank's main assumptions were:

- The economy would start to **recover strongly** from Q3 2021.
- **£125bn of savings** made by consumers during the pandemic will give a significant boost to the pace of economic recovery once lockdown restrictions are eased and consumers can resume high street shopping, going to pubs and restaurants and taking holidays.
- The economy would still recover to reach its **pre-pandemic level** by Q1 2022 despite a long lockdown in Q1 2021.
- **Spare capacity** in the economy would be eliminated in Q1 2022.
- The Bank also expects there to be **excess demand** in the economy by Q4 2022.
- **Unemployment** will peak at around 7.5% during late 2021 and then fall to about 4.2% by the end of 2022. This forecast implies that 0.5m foreign workers will have been lost from the UK workforce by their returning home.
- **CPI inflation** was forecast to rise quite sharply towards the 2% target in Q1 2021 due to some temporary factors, (e.g. the reduction in VAT for certain services comes to an end) and given developments in energy prices. CPI inflation was projected to be close to 2% in 2022 and 2023. It is currently expected to peak briefly above 2% during 2021 due to one off effects from a year ago.
- The Monetary Policy Report acknowledged that there were **downside risks** to their forecasts e.g. from virus mutations, will vaccines be fully effective, how soon can tweaked vaccines be devised and administered to deal with mutations? There are also issues around achieving herd immunity around the world from this virus so that a proliferation of mutations does not occur which prolong the time it takes for the global economy to fully recover.
- The Report also mentioned a potential **upside risk** as an assumption had been made that consumers would only spend £6bn of their savings of £125bn once restrictions were eased. However, the risk is that that consumers could spend a lot more and more quickly.
- The Bank of England also removed **negative interest rates** as a possibility for at least six months as financial institutions were not yet ready to implement them. As in six months' time the economy should be starting to grow strongly, this effectively means that negative rates occurring are only a slim possibility in the current downturn. However, financial institutions have been requested to prepare for them so that, at a future time, this could be used as a monetary

policy tool if deemed appropriate. (**Gilt yields and PWLB rates** jumped upwards after the removal of negative rates as a key risk in the short-term.)

- Prior to 4<sup>th</sup> February, the **MPC’s forward guidance** outlined that the sequencing of a withdrawal of monetary policy support would be that Bank Rate would be increased first, and only once it had reached a certain level, ‘around 1.5%’, before a start would be made on winding down the stock of asset purchases made under QE. However, the MPC decided at the February meeting that this policy should be reviewed as to whether a start should be made first on **winding down QE** rather than raising Bank Rate.
- The MPC reiterated its previous guidance that Bank Rate would not rise until inflation was sustainably above 2%. This means that it will tolerate inflation running above 2% from time to time to balance out periods during which inflation was below 2%. This is termed **average inflation targeting**.
- **The Budget 3rd March.** The Chancellor provided more short term support for jobs and the economy so this is likely to mean that there is upside risk to the Bank of England’s forecasts in its quarterly report in February, for the strength and speed of recovery of the economy during 2021. The Budget also uses higher taxes from 2023/24 to reverse support quicker which will mean that the public deficit will decline almost back to pre-pandemic levels by 2025/26.

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 not rise for the foreseeable future.

	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23
<b>BANK RATE</b>	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
<b>5yr PWLB</b>	1.20%	1.20%	1.20%	1.20%	1.20%	1.20%	1.40%	1.40%	1.40%	1.40%	1.50%
<b>10yr PWLB</b>	1.70%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	1.90%	2.00%	2.00%
<b>25yr PWLB</b>	2.20%	2.20%	2.20%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.50%	2.50%
<b>50yr PWLB</b>	2.00%	2.00%	2.00%	2.10%	2.20%	2.20%	2.20%	2.30%	2.30%	2.30%	2.30%

**Link’s Issue Date:- 19 March 2021**

## PRUDENTIAL AND TREASURY MANAGEMENT INDICATORS

	Actual 2019/20 £'000	Budget <sup>1</sup> 2020/21 £'000	Actual 2020/21 £'000
<b>PRUDENTIAL INDICATORS</b>			
Capital expenditure			
- General Fund	19,914	34,839	16,771
- HRA	37,741	60,118	34,170
<b>Total</b>	<b>57,655</b>	<b>94,957</b>	<b>50,941</b>
<b>Capital Financing Requirement (CFR) as at 31 March</b>			
- General Fund	69,596	73,826	77,797
- HRA	205,835	214,321	208,654
<b>Total</b>	<b>275,431</b>	<b>288,147</b>	<b>286,451</b>
<b>Change in the CFR<sup>2</sup></b>	<b>45</b>	<b>12,716</b>	<b>11,020</b>
<b>Deposits at 31 March<sup>3</sup></b>	<b>109,646</b>	<b>60,600</b>	<b>114,976</b>
<b>External Gross Debt</b>	<b>213,572</b>	<b>223,316</b>	<b>213,572</b>
<b>Ratio of financing costs to net revenue stream</b>			
-General Fund	-5.65%	-10.02%	-2.62%
-HRA	16.64%	16.22%	15.90%

<sup>1</sup> Per Annual Treasury Management Strategy Report agreed by Council on 25 February 2020

<sup>2</sup> After accounting for MRP charge of £306,000 (2019/20: £213,000) and Voluntary Revenue Provision charge of nil (2019/20: £9,545,000)

<sup>3</sup> As per the Council's Balance Sheet.

	<b>Actual 2019/20 £'000</b>	<b>Budget<sup>1</sup> 2020/21 £'000</b>	<b>Actual 2020/21 £'000</b>
<b>TREASURY INDICATORS</b>			
<b>Authorised limit</b>			
for borrowing	400,000	400,000	400,000
for other long term liabilities	0	2,000	0
<b>Total</b>	<b>400,000</b>	<b>402,000</b>	<b>400,000</b>
<b>Operational boundary</b>			
for external borrowing	280,431	293,147	291,451
for other long term liabilities	0	1,699	0
<b>Total</b>	<b>280,431</b>	<b>294,846</b>	<b>291,451</b>
<b>Upper limit for total principal sums deposited for over 364 days &amp; up to 5 years</b>	50,000	50,000	50,000
<b>Upper limit for fixed &amp; variable interest rate exposure</b>			
Net interest on fixed rate borrowing/deposits	5,655	5,075	6,113
Net interest on variable rate borrowing/deposits	-15	-15	-15
<b>Maturity structure of new fixed rate borrowing</b>		Upper Limit	Lower Limit
10 years and above (PWLB borrowing for HRA Reform)		100%	100%

<sup>1</sup> Per Annual Treasury Management Strategy Report agreed by Council on 25 February 2020

## Current Counterparty List

The full listing of approved counterparties is shown below, showing the category under which the counterparty has been approved, the appropriate deposit limit and current duration limits (\*references have now been made to RFB & NRFB for UK Banks, with explanations within the Glossary at Appendix E).

Name	Council's Current Deposit Period	Category	Limit (£)
<b>Specified Investments:-</b>			
All UK Local Authorities	N/A	Local Authority	20m
All UK Passenger Transport Authorities	N/A	Passenger Transport Authority	20m
All UK Police Authorities	N/A	Police Authority	20m
All UK Fire Authorities	N/A	Fire Authority	20m
Debt Management Account Deposit Facility	N/A	DMADF	Unlimited
Barclays Bank Plc – NRFB*	Using Link's Credit Criteria	UK Bank	35m
HSBC Bank Plc – NRFB*	Using Link's Credit Criteria	UK Bank	20m
HSBC UK Bank Plc – RFB*	Using Link's Credit Criteria	UK Bank	20m
Standard Chartered Bank	Using Link's Credit Criteria	UK Bank	20m
Bank of Scotland Plc (BoS) – RFB*	Using Link's Credit Criteria	UK Bank	20m
Lloyds Bank Plc – RFB*	Using Link's Credit Criteria	UK Bank	20m
National Westminster Bank Plc (NWB) – RFB*	Using Link's Credit Criteria	UK Nationalised Bank	20m
Santander UK Plc	Using Link's Credit Criteria	UK Bank	5m

Name	Council's Current Deposit Period	Category	Limit (£)
The Royal Bank of Scotland Plc (RBS) – RFB*	Using Link's Credit Criteria	UK Nationalised Bank	20m
Other UK Banks	Using Link's Credit Criteria	UK Banks	20m
Members of a Banking Group	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: 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 (AAf) – CNAV, VNAV & LVNAV	Liquid Rolling Balance	Financial Instrument	15m (per fund) With no maximum limit overall
Custodian of Funds	Requirement for Undertaking Financial Instruments	Fund Managers	Up to 15m (per single counterparty)
UK Government Treasury Bills	Up to 6 months	Financial Instrument	15m
<b>Other Specified Investments - UK Building Societies:-</b>			
Name	Council's Current Deposit Period	Society Asset Value (£'m) – as at 16 April 2021	Limit (£)
Nationwide Building Society	1 month or in line with Link's Credit Criteria, if longer	245,732	Assets greater than £100,000m - £20m  Assets between £50,000m and £99,999m - £5m
Yorkshire Building Society		57,786	
Coventry Building Society		50,781	
Skipton Building Society		26,658	
Leeds Building Society		20,725	
Principality Building Society		10,912	



Name	Council's Current Deposit Period	Category	Limit (£)
West Bromwich Building Society		5,565	Assets between £5,000m and £49,999m - £2m
<b>Non-Specified Investments:-</b>			
Name	Council's Current Deposit Period	Category	Limit (£)
All UK Local Authorities – longer term limit	Over 1 year and up to 5 years	Local Authority	Up to 35m (in total)
Cambridge City Council Housing Working Capital Loan Facility*	Up to 1 year	Loan	200,000
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

Name	Council's Current Deposit Period	Category	Limit (£)
Secured Local Bond in Local Businesses – Using Allia Limited	N/A	Local Business Bond	Up to £5m in total
Enhanced Cash Funds (Standard & Poor's: AAAs/S1, Fitch: AAAs/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 (excluding balances with related parties) 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)

<b>Term</b>	<b>Definition</b>
HRA	Housing Revenue Account - a ringfenced 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 at 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, 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 and Bank of England rules will apply to all UK Banks which have to split their business into 'core' retail and investment units known as Ring and Non Ring Fenced Banks for the 1 <sup>st</sup> January 2019 deadline
Non-Specified Investments	These are investments that do not meet the conditions laid down for Specified Investments and potentially carry additional risk, e.g. lending for periods beyond 1 year
Operational Boundary	Limit which external borrowing is not normally expected to exceed

<b>Term</b>	<b>Definition</b>
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
Ring Fenced Bank (RFB)	Government & Bank of England rules will apply to all UK Banks which have to split their business into 'core' retail and investment units known as Ring and Non Ring Fenced Banks for the 1 <sup>st</sup> January 2019 deadline
Security	A measure of the creditworthiness of a counter-party
Specified Investments	Those investments identified as offering high security and liquidity. They are also sterling denominated, with maturities up to a maximum of 1 year, meeting the minimum 'high' credit rating criteria where applicable
Supranational Bonds	Multi-lateral Development Bank Bond
UK Government Gilts	Longer term Government securities with maturities over 6 months and up to 30 years
UK Government Treasury Bills	Short term securities with a maximum maturity of 6 months issued by HM Treasury
Variable Net Asset Value	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