

Item

**ANNUAL TREASURY MANAGEMENT (OUTTURN) REPORT  
2021/22**



**To:**

The Executive Councillor for Finance, Resources and Transformation:  
Councillor Mike Davey Strategy & Resources Scrutiny Committee  
11/07/2022

**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 2021 (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities 2021 (the Prudential Code) in respect of 2021/22.
- 1.3 During 2021/22 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**

The Executive Councillor is asked to recommend:-

2.1 This report to Council, which includes the Council's actual Prudential and Treasury Indicators for 2021/22.

2.2 A loan of £50,000 to Cherry Hinton Community Benefit Society for their contribution to the building costs of the Cherry Hinton Hub.

## **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 2022 (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 2021/22

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.

	2020/21 £'000 Actual	2021/22 £'000 Budget *	2021/22 £'000 Actual
General Fund capital expenditure	16,771	41,760	24,377
HRA capital expenditure	34,170	67,845	37,804
<b>Total capital expenditure</b>	<b>50,941</b>	<b>109,605</b>	<b>62,181</b>
<b>Resourced by:</b>			
• Capital receipts	(11,040)	(13,634)	(11,232)
• Other contributions	(28,575)	(63,665)	(32,728)
<b>Total available resources for financing capital expenditure</b>	<b>(39,615)</b>	<b>(77,299)</b>	<b>(43,960)</b>
<b>Financed from/(to) cash balances</b>	<b>11,326</b>	<b>32,306</b>	<b>18,221</b>

\* Per Annual Treasury Management Strategy Report agreed by Council on 25 February 2021.

## **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 2021/22 was set out in the Annual Treasury Management Strategy agreed by Council on 25 February 2021. Under this policy, MRP of £306,000 has been charged in respect of 2021/22.
- 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 2021/22. As at 31 March 2022, the cumulative total of Voluntary Revenue Provision charges made in previous years was £9,545,000.
- 5.6 During 2021/22, there was no requirement for external borrowing. Financing of capital expenditure from cash balances of £18,221,000 shown in the above table was met using internal borrowing.

## 6. External Debt as at 31 March 2022

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 2022:

	Principal (£'000)
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 2021/22	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 2022

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 2021/22 against 2020/21.

Actual Returns	2021/22		2020/21	
	Average Deposits (£m)	Average Rate of Return	Average Deposits (£m)	Average Rate of Return
Fixed Short-Term (<365 days)	71.82	0.11%	64.26	0.58%
Call/Overnight Accounts	23.72	0.10%	1.71	0.00%
Enhanced Cash Funds	15.02	0.19%	15.00	0.81%
Fixed Long-Term (>365 days)	9.26	1.85%	12.20	1.74%
Money Market Funds	20.68	0.11%	19.82	0.15%
CCLA Local Authorities' Property Fund	15.00	3.77%	15.00	4.43%
<b>Overall Deposit Return</b>	<b>155.50</b>	<b>0.57%</b>	<b>127.99</b>	<b>1.09%</b>
Benchmark Returns	2021/22		2020/21	
	Offer (SONIA)	Bid (LIBID)	Offer (LIBOR)	Bid (LIBID)
<b>Average</b>	<b>0.09%</b>	<b>0.17%</b>	<b>0.14%</b>	<b>0.02%</b>

**Note:**

In 2020/21, the 'Benchmark Return' figures were 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.

During 2021/22, there was a transition from the use of LIBOR to the use of SONIA. The figures as at 31<sup>st</sup> March 2022 are based upon benchmarking data provided by Link. The appropriate benchmarks to our funds are the 90 day backward looking SONIA un compounded and 3 month LIBID un compounded.

- 7.4 Total interest and dividends of £892,000 have been earned on the Council's deposits during 2021/22 at an average rate of 0.57% (1.09% in 2020/21). This has resulted in an overall under-achievement on the interest and dividends income budget of £54,000.
- 7.5 The figures at paragraph 7.4 above included interest earned on CCLA Local Authorities' Property Fund deposits of £577,000, which equated to an annual yield of 3.77% (4.43% in 2020/21).
- 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 2022.
- 8.2 The Bank of England's May 2022 Inflation Report gives additional information on growth, inflation and interest rates. The Bank of England's Monetary Policy Committee (MPC) noted that inflation is expected to rise to around 10% this year. The Bank of England's Base Rate was raised to 1.0% in May 2022 (previously 0.75%) and then to 1.25% in June.
- 8.3 Prices of goods and services have risen as the world opened up after Covid restrictions. Russia's invasion of Ukraine has led to more increases in the prices of energy and food.
- 8.4 CPI inflation rose during March 2021 to around 7.0%. The MPC sets monetary policy to meet the 2.0% inflation target, which helps to sustain growth and employment. Interest rates are expected to increase over the coming months to 2.5% in mid-2023, before falling to 2% in order to bring inflation down. The UK economy has been recovering from the effects of Covid, but it is expected that the increased cost of living will lead to slower growth overall.

## **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.
- 10.2 A loan with Cherry Hinton Community Benefit Society to the value of £50,000 has been added to the counterparty list. This is for their contribution towards the building costs of the Cherry Hinton Hub. They are hoping to fundraise this money, so they do not draw down on the loan. However, this needs to be agreed and in place to allow the project to start.
- 10.3 As reported to Strategy and Resources Scrutiny Committee in February 2022, the counterparty limit with Allia Ltd was breached during 2021/22 due to a bridging loan of £1.2m. This has since been repaid in May 2022.

## **11. Environmental, Social and Governance Considerations**

- 11.1 During 2021/22, we have started to consider our ESG obligations in the context of the Council's Treasury Management practices. Due to a lack of resources, we have been unable to further develop these ideas into a detailed ESG strategy for Treasury Management. However, this is something we will progress in 2022/23.

## **12. 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

**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 – 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

**16. 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 2022

### CURRENT DEPOSITS

The Council's deposits as at 31 March 2022 are shown in the table below:

Counterparty	% Rate	Duration	Principal (£'000)
<b>Fixed Term Deposits</b>			
Barclays Bank PLC (NRFB)	0.30	1 year	2,000
Cornwall County Council	0.40	2 months	5,000
Highland Council	0.15	9 months	5,000
Nationwide Building Society	0.07	6 months	10,000
Thurrock Council	0.10	5 months	5,000
Thurrock Council	0.22	9 months	5,000
Thurrock Council	0.15	4 months	5,000
Surrey County Council	0.06	5 months	5,000
Blackpool City Council	0.10	6 months	8,000
Wrexham Council	0.15	3 months	10,000
West Dunbartonshire Council	0.20	1 year	5,000
East Dunbartonshire Council	0.20	6 months	5,000
Peterborough City Council	0.30	11 months	5,000
Slough Borough Council	1.05	6 months	5,000
Glasgow City Council	0.50	1 month	10,000
London Borough of Barking and Dagenham	0.50	1 month	5,000
Wirral Metropolitan Borough Council	0.60	2 months	5,000
Allia Ltd	2.40	5 years	2,200
Allia Ltd	2.20	5 years	2,800
Allia Ltd	1.15	5 months	1,200
<b>Total Fixed Term Deposits</b>			<b>106,200</b>
<b>Variable Rate Notice Accounts</b>			
Barclays Bank Plc	0.10	Same Day	2,555
CCLA Local Authorities' Property Fund	3.90	90 Days	15,000
BNP Paribas Insticash Sterling	0.65	Same Day	14,500
CCLA - The Public Sector Deposit Fund (Class 4)	0.58	Same Day	15,000
Payden Sterling Reserve Fund	0.38	4 Day	5,000
Royal London Cash Plus Fund Y (Gross Inc)	0.44	3 Day	5,000
JP Morgan Managed Reserves Fund	1.10	2 Day	5,000
<b>Total Variable Rate Notice Accounts</b>			<b>62,055</b>
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>168,255</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 2022

**UK. Economy.** Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16<sup>th</sup> December 2021, 0.50% at its meeting of 4<sup>th</sup> February 2022 and then to 0.75% in March 2022.

The UK economy has endured several false dawns through 2021/22, but with most of the economy now opened up and nearly back to business-as-usual, the GDP numbers have been robust (9% y/y Q1 2022) and sufficient for the MPC to focus on tackling the second-round effects of inflation, now that the CPI measure has already risen to 6.2% and is likely to exceed 8% in April.

Gilt yields fell towards the back end of 2021, but despite the war in Ukraine gilt yields have shot higher in early 2022. At 1.38%, 2-year yields remain close to their recent 11-year high and 10-year yields of 1.65% are close to their recent six-year high. These rises have been part of a global trend as central banks have suggested they will continue to raise interest rates to contain inflation.

Historically, a further rise in US Treasury yields will probably drag UK gilt yields higher. There is a strong correlation between the two factors. However, the squeeze on real household disposable incomes arising from the 54% leap in April utilities prices as well as rises in council tax, water prices and many phone contract prices, are strong headwinds for any economy to deal with. In addition, from 1st April 2022, employees also pay 1.25% more in National Insurance tax. Consequently, inflation will be a bigger drag on real incomes in 2022 than in any year since records began in 1955.

**Average inflation targeting.** This was the major change in 2020/21 adopted by the Bank of England in terms of implementing its inflation target of 2%. The key addition to the Bank's forward guidance in August 2020 was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and *achieving the 2% target*"

*sustainably*". That mantra now seems very dated. Inflation is the "genie" that has escaped the bottle, and a perfect storm of supply side shortages, labour shortages, commodity price inflation, the impact of Russia's invasion of Ukraine and subsequent Western sanctions all point to inflation being at elevated levels until well into 2023.

**Central banks' monetary policy.** During the pandemic, the governments of western countries have provided massive fiscal support to their economies which has resulted in a big increase in total government debt in each country. It is therefore very important that bond yields stay low while debt to GDP ratios slowly subside under the impact of economic growth. This provides governments with a good reason to amend the mandates given to central banks to allow higher average levels of inflation than we have generally seen over the last couple of decades. Both the Fed and Bank of England have already changed their policy towards implementing their existing mandates on inflation, (and full employment), to hitting an average level of inflation. Greater emphasis could also be placed on hitting subsidiary targets e.g. full employment before raising rates. Higher average rates of inflation would also help to erode the real value of government debt more quickly.

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.

Link Group Interest Rate View 7.2.22													
	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
3 month av. earnings	0.80	1.00	1.00	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
6 month av. earnings	1.00	1.10	1.20	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30
12 month av. earnings	1.40	1.50	1.60	1.70	1.70	1.60	1.60	1.50	1.40	1.40	1.40	1.40	1.40
5 yr PWLB	2.20	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30
10 yr PWLB	2.30	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40
25 yr PWLB	2.40	2.50	2.50	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60
50 yr PWLB	2.20	2.30	2.30	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40

## PRUDENTIAL AND TREASURY MANAGEMENT INDICATORS

	Actual 2020/21 £'000	Budget <sup>1</sup> 2021/22 £'000	Actual 2021/22 £'000
<b>PRUDENTIAL INDICATORS</b>			
Capital expenditure			
- General Fund	16,771	41,760	24,377
- HRA	34,170	67,845	37,804
<b>Total</b>	<b>50,941</b>	<b>109,605</b>	<b>62,181</b>
<b>Capital Financing Requirement (CFR) as at 31 March</b>			
- General Fund	77,797	146,639	73,912
- HRA	208,654	205,835	211,706
<b>Total</b>	<b>286,451</b>	<b>352,474</b>	<b>285,618</b>
<b>Change in the CFR<sup>2</sup></b>	<b>11,020</b>	<b>66,023</b>	<b>-833</b>
<b>Deposits at 31 March<sup>3</sup></b>	<b>114,976</b>	<b>112,100</b>	<b>168,255</b>
<b>External Gross Debt</b>	<b>213,572</b>	<b>245,317</b>	<b>213,572</b>
<b>Ratio of financing costs to net revenue stream</b>			
-General Fund	-2.62%	-4.58%	-3.20%
-HRA	15.90%	16.29%	16.28%

<sup>1</sup> Per Annual Treasury Management Strategy Report agreed by Council on 25 February 2021

<sup>2</sup> After accounting for MRP charge and Voluntary Revenue Provision

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

	<b>Actual 2020/21 £'000</b>	<b>Budget<sup>1</sup> 2021/22 £'000</b>	<b>Actual 2021/22 £'000</b>
<b>TREASURY INDICATORS</b>			
<b>Authorised limit</b>			
for borrowing	400,000	400,000	400,000
for other long term liabilities	0	0	0
<b>Total</b>	<b>400,000</b>	<b>400,000</b>	<b>400,000</b>
<b>Operational boundary</b>			
for external borrowing	291,451	357,474	290,618
for other long term liabilities	0	0	0
<b>Total</b>	<b>291,451</b>	<b>357,474</b>	<b>290,618</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	6,113	6,844	6,592
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 2021

## 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 - £30m  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
<b>Cherry Hinton Community Benefit Society</b>	<b>Up to 1 year</b>	<b>Loan</b>	<b>50,000</b>
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)

Name	Council's Current Deposit Period	Category	Limit (£)
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
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)
Municipal Bonds Agency	N/A	Pooled Financial Instrument Facility	50,000
Secured Local Bond – 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

<b>Term</b>	<b>Definition</b>
Government CNAV	Highly liquid sovereign stock based on a Constant Net Asset Value (CNAV)
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

Term	Definition
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