

Item

TREASURY MANAGEMENT MID-YEAR REVIEW REPORT 2022/23

To:

The Executive Councillor for Finance, Resources and Transformation:
Councillor Mike Davey

Strategy & Resources Scrutiny Committee 10th October 2022

Report by:

Caroline Ryba – Head of Finance & S151 Officer

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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 2021).
- 1.2 This half-year report has been prepared in accordance with the Code and covers the following: -
 - An economic update for the first half of the 2022/23 financial year;
 - A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
 - The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
 - A review of the Council's investment portfolio for 2022/23;
 - A review of the Council's borrowing strategy for 2022/23; and,
 - A review of compliance with Treasury and Prudential Limits for 2022/23.
- 1.3 Cash and investment balances are forecast to stay at the increased level seen over the past year at around £173 million by 31st March 2023.

1.5 Interest receipts for the year are projected at £1,159,000 which is £358,000 above the original budget. Interest receipts are forecast higher than last year due mainly to increases in investment rates.

2. Recommendations

The Executive Councillor is asked to recommend to Council:-

2.1 The Council's estimated Prudential and Treasury Indicators for 2022/23 to 2025/26 (Appendix A).

2.2 That the revised counterparty list be approved (Appendix B).

2.3 To approve the addition of a loan to the Cambridge Investment Partnership in the counterparty list, to bring these into line with the approved expenditure per the approved capital plan (Appendix B).

3. Background

3.1. In December 2021, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. These require all local authorities to prepare a Capital Strategy which is to provide the following: -

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed;
- the implications for future financial sustainability.

3.2 The Code of Practice for Treasury Management recommends that members be updated on treasury management activities regularly (annual, mid-year or quarterly reports). This report, therefore, ensures this Council is implementing best practice in accordance with the Code.

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, 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. Economic and Interest Rate Update

- 4.1 The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.
- 4.2 The latest forecast on 16th August 2022 is shown below. A comparison between the below forecast and that included in the Treasury Management Outturn Report shows that PWLB rates have increased generally and show a speed up in the rate of increase in Bank Rate as inflation has increased.

	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
Bank rate	2.25%	2.50%	2.75%	2.75%	2.75%	2.50%	2.50%	2.25%	2.25%	2.25%	2.25%
3 month LIBID	-	2.50%	2.75%	2.75%	2.75%	2.50%	2.50%	2.25%	2.25%	2.25%	2.25%
6 month LIBID	-	2.80%	3.00%	2.90%	2.80%	2.50%	2.40%	2.30%	2.30%	2.30%	2.20%
12 month LIBID	-	3.30%	3.20%	3.00%	3.00%	2.90%	2.80%	2.70%	2.40%	2.40%	2.40%
5yr PWLB rate	2.80%	3.00%	3.10%	3.10%	3.00%	3.00%	2.90%	2.90%	2.80%	2.80%	2.80%
10yr PWLB rate	3.00%	3.20%	3.30%	3.30%	3.20%	3.10%	3.10%	3.00%	3.00%	3.00%	2.90%
25yr PWLB rate	3.40%	3.50%	3.50%	3.50%	3.50%	3.40%	3.40%	3.30%	3.30%	3.20%	3.20%
50yr PWLB rate	3.10%	3.20%	3.20%	3.20%	3.20%	3.10%	3.10%	3.00%	3.00%	2.90%	2.90%

- 4.3 The Bank of England's Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target. At its meeting ending on 21 September 2022, the MPC voted by a majority of 5-4 to increase Bank Rate by 0.5 percentage points, to 2.25%. Three members preferred to increase Bank Rate by 0.75 percentage points, to 2.50% and one member preferred to increase Bank Rate by 0.25 percentage points, to 2.0%.

5. Annual Investment Strategy

- 5.1 The Treasury Management Strategy Statement (TMSS) for 2022/23, which includes the Annual Investment Strategy, was approved by the Council on 7 February 2022.
- 5.2 The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. In the current economic climate and given the Council's ambitious

Capital Programme, it is considered appropriate to keep investments short-term to cover cash flow needs, but also to seek out value available in periods up to 12 months with high credit rated financial institutions, using the Link suggested creditworthiness approach.

- 5.3 As shown by the interest rate forecasts in section 4, rates have improved dramatically during Q1 and Q2 of 2022/23 and are expected to improve further as Bank Rate continues to increase over the next year or so.
- 5.4 The average rate of return for all deposits to 21 September 2022 is 1.48%, compared to 0.57% in 2021/22. The current quoted return on the CCLA Local Authorities Property Fund is an annual return of 4.03%.
- 5.5 To ensure that minimal risk is present for the Housing Revenue Account (HRA) nominal cash balances, returns from lower risk investments (currently estimated at 1.6%) will be used to transfer interest receipts to the HRA.
- 5.6 Current estimates for 2022/23 include gross interest receipts of £1,159,000. This is mainly due to interest rates being high and increasing throughout 2022/23.
- 5.7 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	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Short Term – 40%*	69,200	32,200	42,600	42,600	42,600
Medium Term - 30%*	51,900	24,200	31,900	31,900	31,900
Long Term – 30%*	51,900	24,200	31,900	31,900	31,900
TOTAL	173,000	80,600	106,400	106,400	106,400

*Based on current estimated net cash inflow trends.

- 5.8 The Council's balances reduce in the short term in line with the cash requirements of the redevelopment of Park Street and of Cambridge Investment Partnership redevelopments 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. All loans are secured against assets in various CIP limited companies.
- 5.9 An analysis of the sources of the Council's deposits has been prepared as at 21 September 2022 (Appendix C).

- 5.10 It should be noted that the approved limits within the Annual Investment Strategy were breached during the first half of the year to 30 September 2022. The counterparty limit in place with Santander UK Plc was £5m. This was breached by £9.5m to a total investment balance of £14.5m at the end of July 2022. This is still outstanding at the time of writing this report. However, when the breach occurred, the investment was within Link's recommended limits for Santander UK Plc.
- 5.11 This breach was due in part to a lack of clarity on the Counterparty List between different deposit types. This has been discussed with our advisors, Link, and as a result we have revised the counterparty list to show no differentiation between the different means of investing with each financial institution. We have also based this new counterparty list on Link's Credit Criteria (See Appendix B).
- 5.12 There have been several media reports about the financial governance and debt management of other Local Authorities, particularly regarding Thurrock Council. At the time of writing this report we have £5m loaned to Thurrock Council which is due to be repaid in December 2022. We have no concerns about these funds being returned to us. The Link Group assesses the risk of each counterparty type, and all Local Authorities are rated as having one of the lowest risk levels.
- 5.13 In the first half of 2022/23, we have agreed dealing investments via Link Group's Treasury Agency Service. This has allowed us access to some sustainable deposits. We have placed our first investment with a sustainable fixed term deposit.

6. The Council's Capital Expenditure and Financing 2022/23 to 2025/26

- 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 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 2022/23 and is in line with the agreed Capital Plan and estimated future capital expenditure.

Estimate	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
General Fund Capital Expenditure	145,179	49,723	23,835	13,956
HRA Capital Expenditure	93,856	100,125	89,630	92,083
Total Capital Expenditure	239,035	149,848	113,465	106,039
Resourced by:				
• Capital receipts	-25,910	-13,761	-3,091	-4,703
• Other contributions	-106,725	-38,489	-26,854	-27,572
Total resources available for financing capital expenditure	-132,635	-52,250	-29,945	-32,275
Financed from cash balances & any Prudential Borrowing required	106,400	97,598	83,520	73,764

6.3 In addition to a total of £84.7m for the redevelopment of Park Street, the Medium-Term Financial Strategy now includes loan of £33.94 million for the purchase of land off Wort's Causeway. This is General Fund expenditure which will be funded from cash balances and borrowing. It is reflected in the increase in the Council's Capital Financing Requirement.

7. The Council's Prudential and Treasury Management Indicators

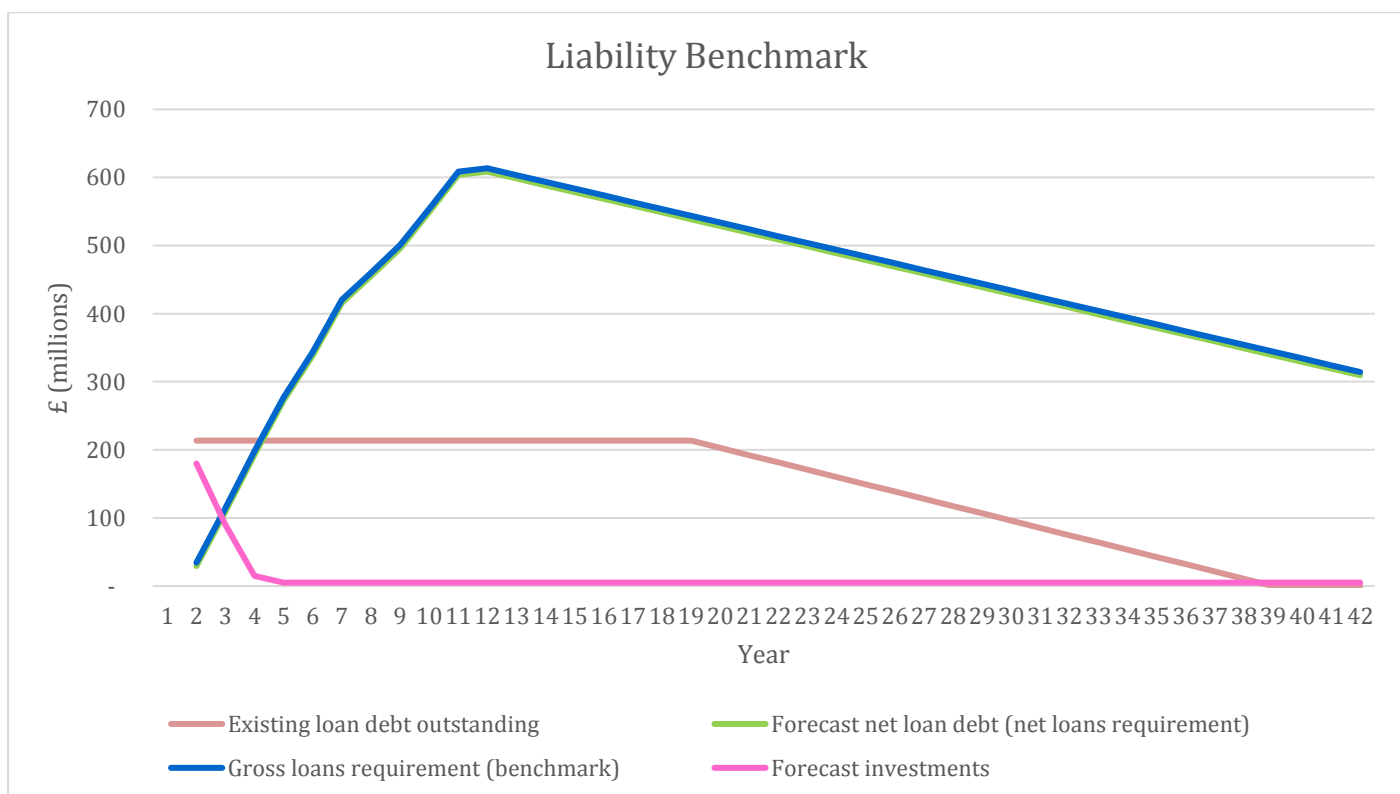
7.1 The table overleaf shows the Capital Financing Requirement (CFR), which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period. This is termed the Operational Boundary.

Capital Financing Requirement & External Borrowing Estimate	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
General Fund Capital Financing Requirement	180,006	217,220	236,311	247,077
HRA Capital Financing Requirement	211,706	271,759	335,541	397,547
Total Capital Financing Requirement	391,712	488,979	571,852	644,624
Movement in the Capital Financing Requirement	106,094	97,267	82,873	72,772
<i>Financed from cash balances & any Prudential Borrowing required</i>	<i>106,400</i>	<i>97,598</i>	<i>83,520</i>	<i>73,764</i>
<i>Minimum Revenue Provision</i>	<i>(306)</i>	<i>(331)</i>	<i>(647)</i>	<i>(992)</i>
Estimated External Gross Debt/Borrowing (Including HRA Reform)	319,972	417,570	501,090	574,854
Authorised Limit for External Debt	400,000	500,000	600,000	650,000
Operational Boundary for External Debt	396,712	493,979	576,852	649,624

- 7.2 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.
- 7.3 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 2021	NIL
Total Current Headroom (A minus B)	186,428

- 7.4 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.
- 7.5 The chart below shows the Council's liability benchmark. This is a measure of how well the existing loans portfolio matches our planned borrowing needs.



7.6 The purpose of this prudential indicator is to compare the Council's existing loans outstanding (the orange line) against the future need for loan debt, or liability benchmark (the blue line). The orange line is below the blue line in the earlier years, meaning that the existing portfolio outstanding is less than the loan debt required (based on current plans), and the Council will need to borrow to meet the shortfall. The chart therefore shows how much the Council needs to borrow, when, and to what maturities to match its planned borrowing needs. It also shows that in the short-term some of the Council's liabilities can be met with our cash balances before using external borrowing.

8. Borrowing

8.1 The Council is permitted to borrow under the Prudential Framework, introduced with effect from 1 April 2004.

8.2 Current borrowing relates to loans from the PWLB for self-financing dwellings held within the HRA, taken out in 2012 totalling £213,572,000.

8.3 The Council's current capital plan requires new external borrowing for the year 2022/23 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.

8.4 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 7 February 2022. 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.

8.5 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 March 2023, at least (with the date agreed annually). However, the Council notes the publication of the HM Treasury Public Works Loans Board (PWLB) revised lending terms and guidance, which puts in place restrictions on borrowing from the PWLB where an authority's capital plan includes commercial schemes in the year that borrowing is required. The Council's capital plan does not include any schemes that are classified as commercial under these revised lending terms.

9. 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.

10. Consultation and communication considerations

None required.

11. Background papers

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

12. Appendices

- 12.1 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 – Glossary of Terms and Abbreviations

13. Inspection of papers

13.1 If you have any queries about this report please contact:

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PRUDENTIAL & TREASURY MANAGEMENT INDICATORS

Estimates	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
PRUDENTIAL INDICATORS				
Capital expenditure				
- General Fund	145,179	49,723	23,835	13,956
- HRA	93,856	100,125	89,630	92,083
Total	239,035	149,848	113,465	106,039
Capital Financing Requirement (CFR) as at 31 March				
- General Fund	180,006	217,220	236,311	247,077
- HRA	211,706	271,759	335,541	397,547
Total	391,712	488,979	571,852	644,624
Change in the CFR	106,094	97,267	82,873	72,772
Deposits at 31 March (Average cash balances annualised)	173,000	80,600	106,400	106,400
External Gross Debt	319,972	417,570	501,090	574,854
Ratio of financing costs to net revenue stream				
-General Fund	207	1,869	2,262	2,505
-HRA	7,194	8,548	9,825	11,058
Total	7,401	10,417	12,087	13,563
% of net revenue expenditure				
-General Fund	0.95%	7.86%	9.15%	14.58%
-HRA	15.55%	16.99%	18.36%	19.37%
Total (%)	16.50%	24.85%	27.52%	33.95%

PRUDENTIAL & TREASURY MANAGEMENT INDICATORS

	Estimate 2022/23 £'000	Estimate 2023/24 £'000	Estimate 2024/25 £'000	Estimate 2025/26 £'000
TREASURY INDICATORS				
Authorised limit				
for borrowing	400,000	500,000	600,000	650,000
for other long-term liabilities	0	0	0	0
Total	400,000	500,000	600,000	650,000
Operational boundary				
for borrowing	396,712	493,979	576,852	649,624
for other long-term liabilities	0	0	0	0
Total	396,712	493,979	576,852	649,624
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	7,401	10,417	12,088	13,562
Net interest on variable rate borrowing/deposits	-15	-17	-17	-17
Maturity structure of new fixed rate borrowing		Upper Limit	Lower Limit	
10 years and above (PWLB borrowing for HRA Reform)		100%	100%	

Treasury Management Annual Investment Strategy

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.

We are showing two counterparty lists in this Appendix – the revised counterparty list which is recommended for approval and the original list. All changes have been highlighted in purple and text in bold. The changes are summarised as follows:

- For UK Banks and Building Societies, the revised list uses our treasury advisor's, Link Group's, assessment of the risk rating of each counterparty and their recommended deposit period. This is based on a colour coded credit list available daily from them. This will be reviewed at the time of agreeing investments to ensure they are in line with the current recommendations.
- Members of a Banking Group counterparty limit has been increased from £30m to £40m due to higher cash balances and better interest rates found with banking institutions compared with the local authority market.
- A new line has been included for the loan to Cambridge Investment Partnership (CIP) for the acquisition of land.
- The limit for Certificate of Deposits now refers to the list for UK banks and buildings societies rather than having a separate limit.

Revised Counterparty List

Link Group Colour	Council's Current Deposit Period	Category	Limit (£)
UK Banks and Building Societies: -			
Yellow	60 months	UK Banks and Building Societies	35m
Magenta	60 months	UK Banks and Building Societies	35m
Pink	60 months	UK Banks and Building Societies	35m
Purple	24 months	UK Banks and Building Societies	30m
Blue	12 months	UK Banks and Building Societies	30m
Orange	12 months	UK Banks and Building Societies	30m
Red	6 months	UK Banks and Building Societies	20m
Green	100 days	UK Banks and Building Societies	10m
No Colour	Not recommended	UK Banks and Building Societies	0m

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
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

Name	Council's Current Deposit Period	Category	Limit (£)
UK Government Treasury Bills	Up to 6 months	Financial Instrument	15m
Members of a Banking Group	Using Link's Credit Criteria	UK Banks and UK Nationalised Banks	40m
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
Cherry Hinton Community Benefit Society	Up to 1 year	Loan	50,000
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
Cambridge Investment Partnership (Orchard Park L2)*	Rolling Balance	Loan (Asset Security)	11,529,000
Cambridge Investment Partnership	Rolling Balance	Loan (Asset Security)	33,940,000
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	See limits above
Certificates of Deposit (with UK Building Societies)	Liquid Rolling Balance	Financial Instrument	See limits above
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)

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

Original Counterparty List

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
Svenska Handelsbanken	Using Link's Credit Criteria	Non-UK Bank	5m
Enhanced Cash Funds (Standard & Poor's: AAf/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)

Name	Council's Current Deposit Period	Category	Limit (£)
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 16 April 2021	Limit (£)
Nationwide Building Society	1 month or in line with Link's Credit Criteria, if longer	245,732	Assets greater than £100bn - £30m (previously £20m)
Yorkshire Building Society		57,786	
Coventry Building Society		50,781	Assets between £50,000m and £99,999m - £5m
Skipton Building Society		26,658	
Leeds Building Society		20,725	
Principality Building Society		10,912	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
Cherry Hinton Community Benefit Society	Up to 1 year	Loan	50,000
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
Cambridge Investment Partnership (Orchard Park L2)*	Rolling Balance	Loan (Asset Security)	11,529,000

Name	Council's Current Deposit Period	Category	Limit (£)
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: 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 – 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.

Deposits as at 21 September 2022

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.

At 21 September 2022, the Council had deposits of £178.8 million. The table below provides a sources breakdown of the funds deposited at that date: -

Funds Deposited as at 21 September 2022	£'000
UK Building Societies	10,000
UK Banks	46,300
UK Banks - Sustainable	10,000
Local Authorities	45,000
Money Market Funds	32,500
Enhanced Cash Funds	15,000
Property Fund	15,000
Allia Limited	5,000
Total Deposited	178,800

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