Item

ANNUAL TREASURY MANAGEMENT (OUTTURN) REPORT 2022/23

To:
The Executive Councillor for Finance and Resources

Councillor Simon Smith Strategy & Resources Scrutiny Committee 03/07/2023

Report by:
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Wards affected:
All Wards

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 2022/23.

1.3 During 2022/23 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 2022/23.

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 2023 (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 2022/23

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.

	2021/22 £'000 Actual	**2022/23 £'000 Budget**	**2022/23 £'000 Actual**
General Fund capital expenditure	24,377	121,661	29,278
HRA capital expenditure	37,804	82,836	65,926
Total capital expenditure	**62,181**	**204,497**	**95,204**
Resourced by:			
• Capital receipts	(11,232)	(25,412)	(14,245)
• Other contributions	(32,728)	(92,955)	(64,265)
Total available resources for financing capital expenditure	**(43,960)**	**(118,367)**	**(78,510)**
Financed from cash balances	**18,221**	**86,130**	**16,694**

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 2022/23 was set out in the Annual Treasury Management Strategy agreed by Council on 24 February 2022. In accordance with this policy, the minimum revenue provision charged to the General Fund in 2022/23 was £1.509m. This incorporated a charge of £0.309m in respect of historic capital expenditure and a further £1.2m in relation to the charging of MRP on an accelerated basis in respect of Clay Farm Community Centre as set out in the Council’s MRP policy.

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 2022/23. As at 31 March 2023, the cumulative total of Voluntary Revenue Provision charges made in previous years was £9,545,000.

5.6 During 2022/23, there was no requirement for external borrowing. Financing of capital expenditure from cash balances of £16,694,000 shown in the above table was met using internal borrowing. This includes amounts lent to the Cambridge Investment Partnership which will be repaid when the relevant housing schemes are completed and amounts relating to the Park Street redevelopment which will be externalised when the agreed loan facility is drawn down.

6. External Debt as at 31 March 2023

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 2023:

	Principal (£'000)
Authorised Borrowing Limit (A) – agreed by Council on 24 February 2022	450,000
PWLB Borrowing (for HRA Self-Financing, B)	213,572
Headroom (A minus B)	236,428
External borrowing in 2012/13 to 2022/23	NIL
Total current headroom	236,428

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 2023

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.

7.3 The table below provides a comparison of deposit activity and outturn for 2022/23 against 2021/22.

Actual Returns	**2022/23**		**2021/22**	
Deposit Type	Average Deposits (£m)	Average Rate of Return	Average Deposits (£m)	Average Rate of Return
Fixed Short-Term (<365 days)	96.82	2.07%	71.82	0.11%
Call/Overnight Accounts	14.05	1.16%	23.72	0.10%
Enhanced Cash Funds	14.53	1.27%	15.02	0.19%
Fixed Long-Term (>365 days)	5.84	2.55%	9.26	1.85%
Money Market Funds	33.09	2.22%	20.68	0.11%

CCLA Local Authorities' Property Fund	15.00	4.04%	15.00	3.77%
Overall Deposit Return	**179.33**	**2.14%**	**155.50**	**0.57%**
Benchmark Returns	2022/23		2021/22	
	Offer (7 day uncompounded)		Offer (SONIA)	Bid (LIBID)
Average	2.23%		0.09%	0.17%

7.4 Total interest on treasury investments and dividends from managed funds of £3.882 million have been earned on the Council's deposits during 2022/23 at an average rate of 2.14% (0.57% in 2021/22). This has resulted in an overall over-achievement on the budget of £2.954 million. This was substantially driven by a series of sharp increases in the Bank of England base rate and higher cash balances being held on deposit than assumed at the time the budget was set.

7.5 The figures at paragraph 7.4 above include interest earned on CCLA Local Authorities' Property Fund deposits of £628,000 which equated to an annual yield of 4.04% (3.77% % in 2021/22).

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 assessment is presented at Appendix B, and provides an overview of current market conditions as at 31 March 2023 and trends observed in 2022/23.

8.2 The Bank of England's May 2023 Inflation Report also provides additional information on growth, inflation and interest rates. The Bank of England's Monetary Policy Committee (MPC) noted that CPI inflation had reached 10.2% in Q1 2023 which was higher than the Bank had expected as inflation had been expected to fall. The current Base Rate is 4.5%. The Bank has made it clear that it will continue to adjust the rate as necessary to return inflation to the 2% target sustainably in the medium-term. Most commentators expect one or two further increases up to a terminal rate of 5% in summer 2023.

8.3 The Bank observed that whilst its inflation target of 2% applied at all times, the economy had been subject to a sequence of very large and overlapping shocks. Whilst inflation was expected to fall as the impact of large spikes in energy prices dropped out of the annual comparison, the impact of food price inflation was still a source of concern. It was acknowledged that it would take some time for the observed reduction in commodity prices to work through the supply chain.

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 technical breach of the approved limits occurred in first half of the 2022/23 financial and was first reported to the meeting of the Strategy and Resources Scrutiny Committee held on 10 October 2022. This occurred as separate limits were in place for different types of deposit. Revisions to the counterparty list to address this issue were approved by Council at its meeting on 20 October 2022. No further breaches have occurred.

11. Environmental, Social and Governance (ESG) Considerations

11.1 There continues to be considerable interest in the industry regarding how investors can best capture information regarding the extent to which their investment portfolio is consistent with the investor's stated ESG commitments and goals. During 2022/23, officers have discussed how the Council could incorporate ESG monitoring as part of any future review of the Council's Treasury Management practices. Resource constraints have meant the Council has been unable to further develop these ideas into a detailed ESG strategy for Treasury Management. However, this is something officers will look to progress in 2023/24.

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 2023
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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Appendix A

TREASURY MANAGEMENT POSITION AS AT 31 MARCH 2023

CURRENT DEPOSITS

The Council's deposits as at 31 March 2023 are shown in the table below:

Counterparty	% Rate	Remaining Duration	Principal (£'000)
Fixed Term Deposits			
Allia Ltd	2.40	9 months	2,200
Allia Ltd	2.20	44 months	2,800
Lloyds Bank Corporate Markets Plc (NRFB)	4.26	1 Month	5,000
South Ayrshire Council	1.80	1 Month	5,000
Lancashire County Council	1.90	1 Month	5,000
SMBC Bank International Plc	3.92	1 Month	10,000
National Westminster Bank PLC (RFB)	3.80	1 Month	5,000
Lloyds Bank Plc (RFB)	3.91	1 Month	5,000
London Borough of Barking & Dagenham	4.55	2 Months	5,000
Standard Chartered Bank	4.09	2 Months	5,000
Lloyds Bank Corporate Markets Plc (NRFB)	4.29	2 Months	2,500
Goldman Sachs International Bank	4.29	3 Months	5,000
Warrington Borough Council	3.90	4 Months	5,000
Woking Borough Council	3.70	4 Months	5,000
Stockton On Tees Borough Council	3.80	5 Months	5,000
West Dunbartonshire Council	4.60	5 Months	5,000
South Somerset District Council	4.02	5 Months	5,000
Guildford Borough Council	4.20	6 Months	5,000
Guildford Borough Council	4.20	7 Months	5,000
Great Yarmouth Borough Council	4.22	17 Months	6,000
The Nottinghamshire Office of the Police - Nottingham	4.00	3 Months	5,000
Total Fixed Term Deposits			**103,500**
Counterparty	**% Rate at 31/3/23**	**Minimum Duration**	**Principal (£'000)**
Variable Rate Notice Accounts			
Barclays Bank PLC	3.75	One Day	6,453
CCLA Local Authorities Property Fund	3.79	90 Days	15,000
Aberdeen Standard Liquidity Fund (Lux) - Sterling Fund (Class L1)	4.05	Same Day	5,000
CCLA - The Public Sector Deposit Fund (Class 4)	4.12	Same Day	5,000
Payden Sterling Reserve Fund	2.26	4 Day	5,000
JP Morgan Managed Reserves Fund	1.10	2 Day	5,000
BlackRock Institutional Sterling Liquidity Fund	4.09	Same Day	5,000
BNP Paribas Insticash Sterling (Institutional)	4.20	Same Day	15,000
Total Variable Rate Notice Accounts			**61,453**
TOTAL			**164,953**

LINK'S OPINION ON UK INTEREST AND INVESTMENT RATES AS AT 31 MARCH 2023

UK. Economy.

Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, it is no surprise that UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022/23.

Market commentators' misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, EZ and US 10-year yields all rising by over 200bps in 2022. The table below provides a snapshot of the conundrum facing central banks: inflation is elevated but labour markets are extra-ordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten.

	UK	Eurozone	US
Bank Rate	4.25%	3%	4.75%-5%
GDP	0.1%q/q Q4 (4.1%y/y)	+0.1%q/q Q4 (1.9%y/y)	2.6% Q4 Annualised
Inflation	10.4%y/y (Feb)	6.9%y/y (Mar)	6.0%y/y (Feb)
Unemployment Rate	3.7% (Jan)	6.6% (Feb)	3.6% (Feb)

Q2 of 2022 saw UK GDP deliver growth of +0.1% q/q, but this was quickly reversed in the third quarter, albeit some of the fall in GDP can be placed at the foot of the extra Bank Holiday in the wake of the Queen's passing. Q4 GDP was positive at 0.1% q/q. Most recently, January saw a 0.3% m/m increase in GDP as the number of strikes reduced compared to December. In addition, the resilience in activity at the end of 2022 was, in part, due to a 1.3% q/q rise in real household disposable incomes. A big part of that reflected the £5.7bn payments received by households from the government under the Energy Bills Support Scheme.

Nevertheless, CPI inflation picked up to what should be a peak reading of 11.1% in October, although hopes for significant falls from this level will very much rest on the movements in the gas and electricity markets, as well as the supply-side factors impacting food prices. On balance, most commentators expect the CPI measure of inflation to drop back towards 4% by the end of 2023. As of February 2023, CPI was 10.4%.

The UK unemployment rate fell through 2022 to a 48-year low of 3.6%, and this despite a net migration increase of c500k. The fact remains, however, that with many economic participants registered as long-term sick, the UK labour force shrunk by c500k in the year to June. Without an increase in the labour force participation rate, it is hard to see how the UK economy will be able to grow its way to prosperity, and with average wage increases running at over 6% the MPC will be concerned that wage inflation will prove just as sticky as major supply-side shocks to food (up 18.3% y/y in February 2023) and energy that have endured since Russia's invasion of Ukraine on 22 February 2022.

Bank Rate increased steadily throughout 2022/23, starting at 0.75% and finishing at 4.25%.

In the interim, following a Conservative Party leadership contest, Liz Truss became Prime Minister for a tumultuous seven weeks that ran through September and October. Put simply, the markets did not like the unfunded tax-cutting and heavy spending policies put forward by her Chancellor, Kwasi Kwarteng, and their reign lasted barely seven weeks before being replaced by Prime Minister Rishi Sunak and Chancellor Jeremy Hunt. Their Autumn Statement of the 17th of November gave rise to a net £55bn fiscal tightening, although much of the "heavy lifting" has been left for the next Parliament to deliver. However, the markets liked what they heard, and UK gilt yields have reversed the increases seen under the previous tenants of No10/11 Downing Street, although they remain elevated in line with developed economies generally.

As noted above, GDP has been tepid throughout 2022/23, although the most recent composite Purchasing Manager Indices for the UK, US, EZ and China have all surprised to the upside, registering survey scores just above 50 (below suggests economies are contracting, and above suggests expansion). Whether that means a shallow recession, or worse, will be avoided is still unclear. Ultimately, the MPC will want to see material evidence of a reduction in inflationary pressures and a loosening in labour markets. Realistically, that is an unlikely outcome without unemployment rising and wage settlements falling from their current levels. At present, the bigger rise in employment kept the ILO unemployment rate unchanged at 3.7% in January. Also, while the number of job vacancies fell for the ninth consecutive month in February, they remained around 40% above pre-pandemic levels.

Our economic analysts, Capital Economics, expect real GDP to contract by around 0.2% q/q in Q1 and forecast a recession this year involving a 1.0% peak-to-trough fall in real GDP.

The £ has remained resilient of late, recovering from a record low of $1.035, on the Monday following the Truss government's "fiscal event", to $1.23. Notwithstanding the £'s better run of late, 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved above 4.5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.

As for equity markets, the FTSE 100 started 2023 strongly, rising to a record high of 8,014 on 20th February, as resilient data and falling inflation boosted earnings. But global equities fell sharply after concerns over the health of the global banking system emerged early in March. The fall in the FTSE 100 was bigger than the drop in the US S&P 500. Indeed, at around 7,600 now, the FTSE is 5.2% below its record high on 20th February, while the S&P 500 is only 1.9% lower over the same period. That's despite UK banks having been less exposed and equity prices in the UK's financial sector not falling as far. It may be due to the smaller decline in UK interest rate expectations and bond yields, which raise the discounted value of future earnings, compared to the US.

USA. The flurry of comments from Fed officials over recent months suggest there is still an underlying hawkish theme to their outlook for interest rates. Markets are pricing in a further interest rate increases of 25-50bps, on top of the current interest rate range of 4.75% - 5%.

In addition, the Fed is expected to continue to run down its balance sheet once the on-going concerns about some elements of niche banking provision are in the rear-view mirror.

As for inflation, it is currently at c6% but with the economy expected to weaken during 2023, and wage data already falling back, there is the prospect that should the economy slide into a recession of any kind there will be scope for rates to be cut at the backend of 2023 or shortly after.

EU. Although the Euro-zone inflation rate has fallen below 7%, the ECB will still be mindful that it has further work to do to dampen inflation expectations and it seems destined to raise rates to 4% in order to do so. Like the UK, growth has remained more robust than anticipated but a recession in 2023 is still seen as likely by most commentators.

Link Group Interest Rate View	25.05.23												
	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
BANK RATE	4.75	5.00	5.00	4.75	4.50	4.00	3.50	3.25	2.75	2.50	2.50	2.50	2.50
3 month ave earnings	4.80	5.00	5.00	4.80	4.50	4.00	3.50	3.30	2.80	2.50	2.50	2.50	2.50
6 month ave earnings	5.10	5.20	5.10	4.90	4.50	3.90	3.40	3.20	2.90	2.60	2.60	2.60	2.60
12 month ave earnings	5.40	5.40	5.30	5.00	4.50	3.90	3.40	3.20	2.90	2.70	2.70	2.70	2.70
5 yr PWLB	5.00	5.00	5.00	4.80	4.50	4.10	3.70	3.50	3.30	3.20	3.20	3.10	3.10
10 yr PWLB	5.00	5.00	5.00	4.80	4.40	4.10	3.80	3.60	3.50	3.40	3.30	3.30	3.30
25 yr PWLB	5.30	5.30	5.20	5.10	4.80	4.50	4.20	4.00	3.80	3.70	3.60	3.60	3.60
50 yr PWLB	5.10	5.10	5.00	4.90	4.60	4.30	4.00	3.80	3.60	3.50	3.40	3.40	3.40

PRUDENTIAL AND TREASURY MANAGEMENT INDICATORS

	Actual 2021/22 £'000	Budget[1] 2022/23 £'000	Actual 2022/23 £'000
PRUDENTIAL INDICATORS			
Capital expenditure			
- General Fund	16,771	121,661	29,278
- HRA	34,170	82,836	65,926
Total	**50,941**	**204,497**	**95,204**
Capital Financing Requirement (CFR) as at 31 March			
- General Fund	73,912	148,633	54,988
- HRA	211,706	214,321	214,976
Total	**285,618**	**362,954**	**269,964**
Change in the CFR[2]	(833)	77,336	(15,654)
Deposits at 31 March	168,255	160,000	164,953
External Gross Debt	213,572	213,572	213,572
Ratio of financing costs to net revenue stream			
-General Fund[2]	(3.20%)	(7.41%)	(3.93%)
-HRA	16.28%	14.38%	12.69%
Net income from commercial and service investments to net revenue stream[3]			
-General Fund		9,701	10,809
-HRA		478	431
% of net revenue stream			
-General Fund		39.2%	52.82%
-HRA		1.03%	0.92%

1. As per Treasury Management Strategy report (TMSS) to full Council approved on 23 February 2023. This benchmark takes account of re-profiling of capital expenditure at the start of 2022/23.
2. After accounting for MRP charge and Voluntary Revenue Provision
3. Commercial and service income indicators estimated as part of 2023/24 TMSS but not prior to this.

	Actual 2021/22 £'000	Budget[1] 2022/23 £'000	Actual 2022/23 £'000
TREASURY INDICATORS			
Authorised limit			
for borrowing	400,000	450,000	450,000
for other long term liabilities	0	0	0
Total	**400,000**	**450,000**	**450,000**
Operational boundary			
for external borrowing	290,618	341,744	341,744
for other long term liabilities	0	1,500	1,500
Total	**290,618**	**343,233**	**343,244**
Upper limit for total principal sums deposited for over 364 days & up to 5 years	50,000	50,000	50,000
Upper limit for fixed & variable interest rate exposure			
Net interest on fixed rate borrowing/deposits	6,592	9,069	5,341
Net interest on variable rate borrowing/deposits	(15)	(15)	(163)
Maturity structure of new fixed rate borrowing	Lower Limit		
10 years and above (PWLB borrowing for HRA Reform)	100%	100%	100%

[1] Per Annual Treasury Management Strategy Report agreed by Council on 24 February 2022. This is considered the appropriate point of reference since it reflects limits in place from the start of the 2022-23 financial year.

Appendix D

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.

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

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

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

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 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 1st 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 and 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 1st January 2019 deadline
Sterling Over Night Index Average (SONIA)	SONIA is a widely used benchmark based on actual transactions and reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors.
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