

Item

TREASURY MANAGEMENT MID-YEAR REVIEW REPORT 2023/24

To:

The Executive Councillor for Finance and Resources: Councillor Simon Smith

Strategy and Resources Scrutiny Committee 20 November 2023

Report by:

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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 2023/24 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 2023/24;
 - A review of the Council's borrowing strategy for 2023/24; and
 - A review of compliance with Treasury and Prudential Limits for 2023/24.
- 1.3 Cash and investment balances as at 29 September were £142 million. The balance is forecast to gradually reduce over the remainder of the

year as existing balances are used to fund General Fund (GF) and Housing Revenue Account (HRA) capital expenditure.

- 1.4 Interest receipts for the year are projected at £6,271,000 which is £3,954,000 above the original budget. Interest receipts are forecast higher than last year due mainly to increases in investment rates and higher cash balances being held for longer periods than expected.

2. Recommendations

The Executive Councillor is asked to:-

- 2.1 Recommend to Council the council's estimated Prudential and Treasury Indicators for 2023/24 to 2026/27 (Appendix A).
- 2.2 Note that no changes have been made to the counterparty list (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; and
 - 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 are 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 In addition to this discount, the PWLB has introduced a 'Reduced HRA lending margin'. This is a reduction in the margin applied to loans that will be used to fund capital expenditure within the HRA. From 15 June 2023 qualifying loans have attracted a lower rate equivalent to 0.40% below the current PWLB certainty rate. This rate is available for an initial period of one year until June 2024.
- 4.3 The latest forecast on 25 September 2023 is shown below. A comparison between the forecast and that included in the Treasury Management Strategy Statement shows that PWLB rates have increased generally and show a speed up in the rate of increase in Bank Rate as inflation has increased. The table shows that interest rates appear to have peaked but will remain at an elevated level until the middle of 2024. PWLB rates are scheduled to fall slowly over the forecast period.

	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
Bank rate	5.25%	5.25%	5.25%	5.00%	4.50%	4.00%	3.50%	3.00%	2.75%	2.75%	2.75%
3 month Average Earnings	5.30%	5.30%	5.30%	5.00%	4.50%	4.00%	3.50%	3.00%	2.80%	2.80%	2.80%
6 month Average Earnings	5.60%	5.50%	5.40%	5.10%	4.60%	4.10%	3.60%	3.10%	2.90%	2.90%	2.90%
12 month Average Earnings	5.80%	5.70%	5.50%	5.20%	4.70%	4.20%	3.70%	3.20%	3.00%	3.00%	3.00%
5yr PWLB rate	5.10%	5.00%	4.50%	4.70%	4.40%	4.20%	4.00%	3.90%	3.70%	3.70%	3.60%
10yr PWLB rate	5.00%	4.90%	4.80%	4.60%	4.40%	4.20%	4.00%	3.80%	3.70%	3.60%	3.60%
25yr PWLB rate	5.40%	5.20%	5.10%	4.90%	4.70%	4.40%	4.30%	4.10%	4.00%	3.90%	3.80%
50yr PWLB rate	5.20%	5.00%	4.90%	4.70%	4.50%	4.20%	4.10%	3.90%	3.80%	3.70%	3.60%

4.4 The Bank of England's Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target (falling to 6.2% during August of this year). At its meeting ending on 20th August 2023, the MPC voted by a majority of 6-3 to increase Bank Rate by 0.25 percentage points, to 5.25%. Two members preferred to increase Bank Rate by 0.50 percentage points, to 5.50% and one member preferred to keep the Bank Rate at 5.00%. At its meeting on 20th September 2023, the MPC agreed to maintain the Bank Rate at 5.25%.

5. Annual Investment Strategy

5.1 The Treasury Management Strategy Statement (TMSS) for 2023/24, which includes the Annual Investment Strategy, was approved by the Council on 23 February 2023.

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.

5.3 The council has endeavoured to position its portfolio to take advantage of the current interest rate environment. Officers have sought to achieve a balance between instruments offering liquidity to meet the needs of financing the capital programme with fixed term investments agreed when the interest rates were generally understood to have peaked. The strategy will be kept under review over the remainder of the financial year and updated in line with revised profiling of capital expenditure and advice from our treasury management advisors on the future path of interest rates.

5.4 The average rate of return for all deposits to 29th September 2023 is 4.62%, compared to 1.48% in 2022/23. In the year to date the council's investment in the CCLA Property Fund has provided distributions equivalent to 4.58% of the Council's initial investment.

5.5 To ensure that minimal risk is present for the HRA nominal cash balances, returns from lower risk investments will be used to transfer interest receipts to the HRA.

5.6 Current estimates for 2023/24 include gross interest receipts of £6,271,000. This is mainly due to interest rates being high and increasing throughout 2023/24.

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 (up to 5 years) deposits.

DEPOSIT ANALYSIS Annualised Av Balance	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Short Term	50,778	37,218	34,988	29,529
Medium Term	37,367	20,488	19,988	9,160
Long Term	38,800	25,000	15,000	15,000
TOTAL	126,495	82,706	69,976	53,689

- 5.8 The council's balances are forecast to reduce temporarily in line with the cash requirements associated with the redevelopment of Park Street and of CIP housing projects. Borrowing for Park Street will be drawn down in full by December 2025 and proceeds from the sale of homes at CIP sites are used to repay borrowing. The current HRA and GF capital plans will result in a permanent reduction in cash balances as existing capital resources are used to fund delivery of capital schemes alongside external borrowing which will be drawn down the period covered by the Medium Term Financial Strategy (MTFS).
- 5.9 An analysis of the instruments the council has invested in and the associated counterparties has been prepared as at 29 September 2023 (Appendix C).
- 5.10 During the first half of 2023/24, we have utilised Link Group's Treasury Agency Service. This service facilitates access to financial instruments which are not always available to individual local authorities accessing financial markets. Working with Link, we have invested in 'sustainable deposits', a fixed term deposit provided by Standard Chartered. This product provides liquidity to finance sustainable assets in developing countries aligned to the United Nations' Sustainable Development Goals Investing in this way is consistent with the council's corporate objectives in respect of the climate emergency and sustainability.
- 5.11 Officers continue to work with Link Group to understand developments within financial markets which offer the opportunity to have regard for environmental, social and governance (ESG) criteria when placing investments. The relevant CIPFA guidance asserts the primacy of 'security, liquidity and yield' considerations when managing the treasury portfolio and the Council is required to adhere to that guidance. Where the Council invests for the longer term, there are opportunities to invest in products or counterparties which align with Council objectives. Currently, this is reflected in the substantial fixed-term deposits with other

local authorities covering periods up to 13 months and investments in the CCLA Local Authority property fund. The CCLA property fund provides investors with regular updates about its work to reduce the carbon footprint of its property portfolio and increase the EPC rating of individual properties it owns.

6. The Council’s Capital Expenditure and Financing 2023/24 to 2026/27

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 2023/24 and is in line with the agreed capital plan and estimated future capital expenditure.

Estimate	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
GF capital expenditure	67,634	73,107	15,096	970
HRA capital expenditure	108,039	95,109	101,214	86,283
Total capital expenditure	175,673	168,216	116,310	87,253
Resourced by:				
• Capital receipts	-21,308	-5,059	-5,967	-4,973
• Other contributions	-80,314	-34,947	-30,082	-28,883
Total resources available for financing capital expenditure	-101,622	-40,006	-36,049	-33,856
Financed from cash balances & any Prudential Borrowing required	74,051	128,210	80,261	53,397

6.3 The investment of £84.7 million to re-develop Park Street continues to represent the single largest scheme in the GF. This spend has recently been re-profiled to reflect the current programme of works. Spend in the HRA has also been updated to align with HRA Medium Term Financial Strategy.

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.

7.2 Both the GF and HRA CFR are projected to increase from current levels in line with the capital plans for the respective funds. The Minimum Revenue Provision (MRP) shown in the table below applies only to the GF as capital financing arrangements for the construction of new properties in the HRA differ from the arrangements applicable to GF assets. Based on the current capital plan the GF CFR from 2026/27 begins to reduce as capital loans to CIP begin to be repaid. However, the current MTFs assumes that subsequent capital plans, approved as part of future year's budgets, will increase the CFR unless other sources of financing for GF capital expenditure can be identified.

CFR and External Borrowing Estimate	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
GF CFR	85,021	149,796	161,672	134,329
HRA CFR	250,767	313,896	380,657	434,054
Total CFR	335,788	463,692	542,329	568,383
Movement in the CFR	65,839	127,904	78,637	26,054
<i>Financed from cash balances & any Prudential Borrowing required</i>	74,051	128,210	80,261	53,397
<i>Minimum Revenue Provision</i>	(309)	(355)	(2,587)	(3,240)
Estimated External Gross Debt/Borrowing (Including HRA Reform)	249,363	343,939	477,366	539,905
Authorised Limit for External Debt	550,000	550,000	600,000	600,000
Operational Boundary for External Debt	346,642	474,546	553,183	579,237

- 7.3 A further prudential indicator controls the overall level of borrowing externally. This is the Authorised Borrowing Limit (ABL) which represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members.
- 7.4 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 23 rd February 2023	550,000
PWLB Borrowing (for HRA Self-Financing, B)	213,572
Headroom (A minus B)	336,428
Borrowing up to 30th September 2023	NIL
Total Current Headroom (A minus B)	336,428

- 7.5 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.
- 7.6 The appendix includes the Council's liability benchmark for both the General Fund and the HRA. This is a measure of how well the existing loans portfolio matches our planned borrowing needs.
- 7.7 The purpose of this prudential indicator is to compare the council's existing loans outstanding against the future need for loan debt. It is important to understand that the chart is based on the 2023/34 Budget Setting Report with amendments for re-profiling of Park Street, in accordance with guidance published by CIPFA. Currently, long-term borrowing in the General Fund Capital Plan is either represented by temporary use of internal borrowing or by loans already organised in respect of Park Street. The MTFS stresses that based on work undertaken by service managers proposals for capital spending which require external borrowing are likely to come forward. This means that this chart is subject to change, particularly since GF capital proposals funded from existing balances will reduce the scope for internal borrowing in future and the lending from the GF to HRA shown in the chart may not be feasible.

8. Borrowing

- 8.1 The council is permitted to borrow under the Prudential Framework, introduced with effect from 1st 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 incorporates new external borrowing from 2024/25. This represents the draw down of funding for Park Street agreed at the inception of the project, funding for delivery of the HRA capital programme and funding for GF capital projects which cannot be funded from available capital resources. The current Medium Term Financial Strategy assumes an increasing need for borrowing over the life of the forecast period. The council will take advice from its treasury management advisors about when to borrow and the appropriate terms to reflect the assets being financed.
- 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 30 January 2023. 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.

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	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
PRUDENTIAL INDICATORS				
Capital expenditure				
- GF	67,634	73,107	15,096	970
- HRA	108,039	95,109	101,214	86,283
Total	175,673	168,216	116,310	87,253
Capital Financing Requirement (CFR) as at 31 March				
- GF	85,021	149,796	161,672	134,329
- HRA	250,767	313,896	380,657	434,054
Total	335,788	463,692	542,329	568,383
Change in the CFR	65,839	127,904	78,637	26,054

The above tables reflect capital expenditure in the current capital plan and highlight the expected impact of that expenditure on the council's Capital Financing Requirement.

PRUDENTIAL & TREASURY MANAGEMENT INDICATORS

Estimates	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Deposits at 31 March (Average Annualised Balances)	126,495	82,706	69,976	53,689
External Gross Debt	249,363	343,939	477,366	539,905
<u>Prudential Indicators</u>				
Ratio of net financing costs to net revenue stream				
-GF	(11.97%)	(4.47%)	9.51%	21.68%
-HRA	12.31%	16.92%	21.91%	24.97%
Total (%)	0.34%	12.45%	31.42%	46.65%
Net income from commercial and service investments to net revenue stream				
-GF	11,078	11,078	11,078	11,078
-HRA	493	413	413	413
% of net revenue stream				
-GF	41.82%	38.82%	36.59%	52.76%
-HRA	0.97%	0.74%	0.71%	0.67%

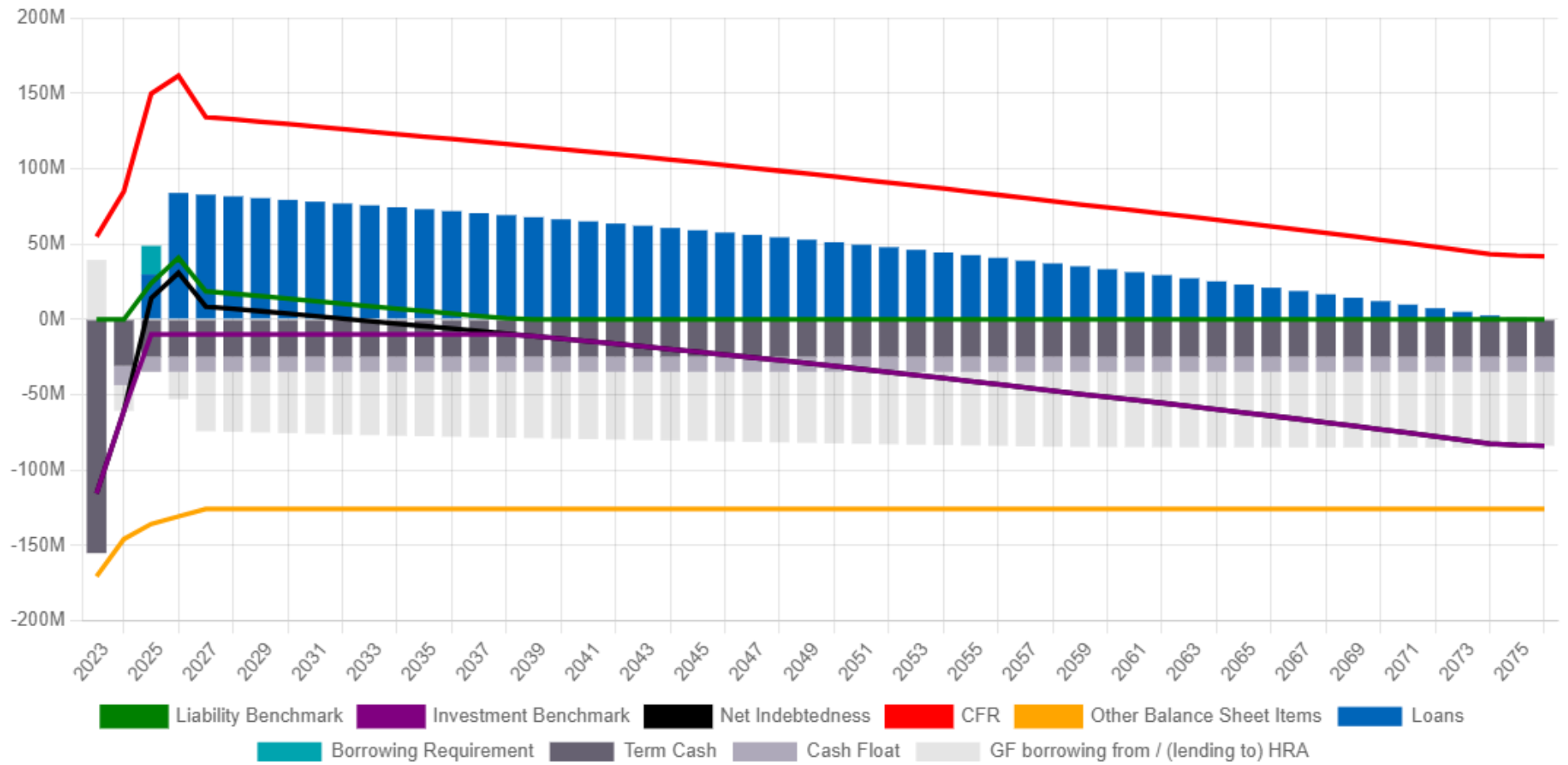
The above table reflects the treasury management implications of the projected capital expenditure, funding sources, financing costs and investment income set out in the council's current Medium Term Financial Strategy (MTFS). The use of the MTFS is considered to provide the most relevant source of data to show how the council's performance against CIPFA's prudential indicators is expected to change over the period covered by the MTFS.

PRUDENTIAL & TREASURY MANAGEMENT INDICATORS

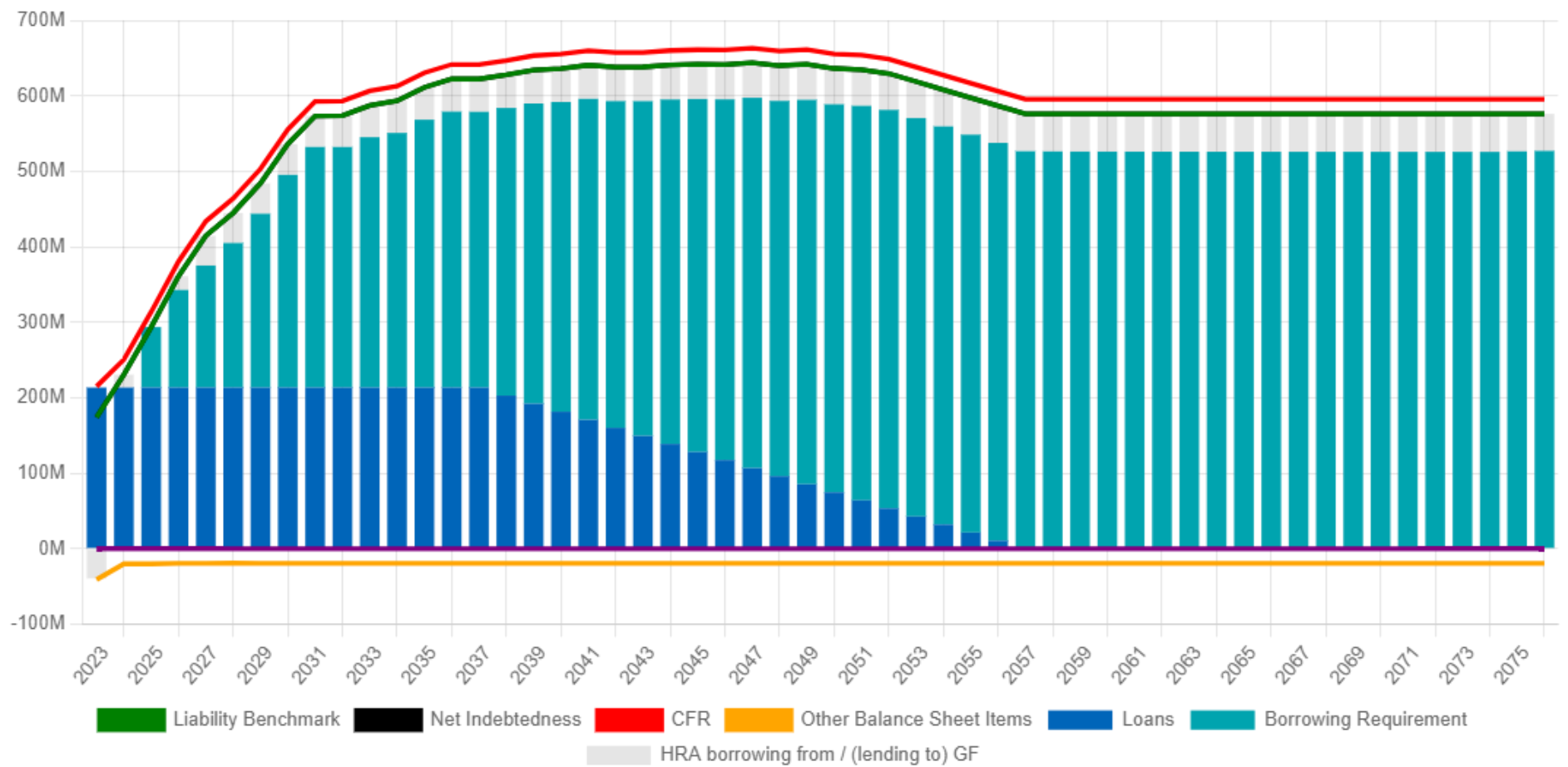
Estimates	Estimate 2023/24 £'000	Estimate 2024/25 £'000	Estimate 2025/26 £'000	Estimate 2026/27 £'000
<u>Treasury Indicators</u>				
Authorised limit				
for borrowing	550,000	550,000	550,000	600,000
for other long-term liabilities	2,000	2,000	2,000	2,000
Total	552,000	552,000	602,000	602,000
Operational boundary				
for borrowing	345,142	473,046	551,683	577,737
for other long-term liabilities	1,500	1,500	1,500	1,500
Total	346,642	474,546	553,183	579,237
Upper limit for total principal sums deposited for over 364 days & up to 5 years	50,000	50,000	50,000	50,000
Analysis of exposure to fixed and variable interest rates				
Net interest on fixed rate borrowing/deposits	1,678	7,833	13,548	17,379
Net interest on variable rate borrowing/deposits	(2,258)	(1,773)	(1,290)	(1,058)
Maturity structure of new fixed rate borrowing		Upper Limit	Lower Limit	
10 years and above		100%	100%	

The above table reflects the treasury management implications of the projected capital expenditure, financing costs and investment income set out in the council's current Medium Term Financial Strategy (MTFS). The use of the MTFS is considered to provide the most relevant source of data to show how the council's performance against CIPFA's prudential indicators is expected to change over the period covered by the MTFS.

General Fund Liability Benchmark



HRA Liability Benchmark



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.

Current 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

Name	Council's Current Deposit Period	Category	Limit (£)
All UK Fire Authorities	N/A	Fire Authority	20m
Debt Management Account Deposit Facility	N/A	DMADF	Unlimited
Enhanced Cash Funds (Standard & Poor's: AAf/S1, Fitch: AA/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
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

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	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: AAf/S1, Fitch: AA/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 29 September 2023

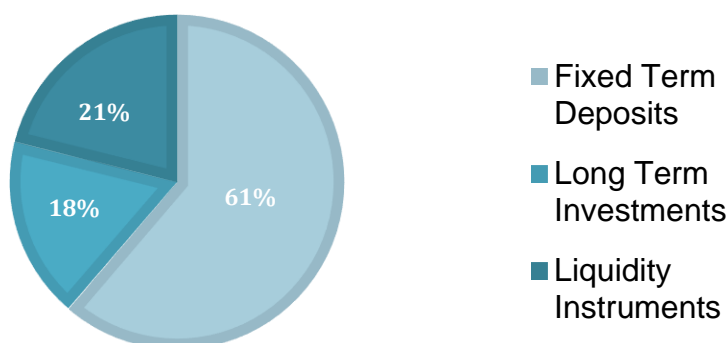
Local authorities are free to deposit surplus funds not immediately required to meet the costs of providing its services. The council deposits amounts set aside in its general reserves and earmarked reserves.

The interest earned on these deposits is credited to the GF and HRA respectively and helps to fund the cost of providing services.

At 29 September 2023, the council had deposits of £142.0 million. The table below provides a breakdown of the where money was deposited and the types of financial instrument held.

Funds Deposited as at 29 September 2023	£'000
UK Banks	22,500
UK Banks – Sustainable Deposits	10,000
Local Authorities	49,500
Money Market Funds	30,000
Enhanced Cash Funds	10,000
Property Fund	15,000
Allia Limited	5,000
Total Deposited	142,000

Council Investments as at 29 September 2023 analysed by type of investment



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
DLUHC	Department for Levelling Up, Housing & Communities (formerly Ministry for Housing, Communities & Local Government)
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
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)
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
Quantitative Easing (QE)	A financial mechanism whereby the Central Bank creates money to buy bonds from financial institutions, which reduces interest rates, leaving businesses and individuals to borrow more. This is intended to lead to an increase in spending, creating more jobs and boosting the economy

Term	Definition
Ring-Fenced Bank (RFB)	Government & Bank of England rules 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
SONIA	Sterling Overnight Index Average – is an important interest rate benchmark
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