Item

Strategy & Resources Scrutiny Committee

Annual Treasury Management (Outturn) Report 2023/24

To:
Councillor Simon Smith, Executive Councillor for Finance and Resources

Report by:
Jody Etherington, Chief Finance Officer

Date:
18 July 2024

Wards affected:
(All) Abbey, Arbury, Castle, Cherry Hinton, Coleridge, East Chesterton, King's Hedges, Market, Newnham, Petersfield, Queen Edith's, Romsey, Trumpington, West Chesterton

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 2023/24.

1.3 Council have received the following reports in respect of treasury management for the 2023/24 financial year:-

- 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 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 2023/24.

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 31 March 2024 (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 2023/24

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.

	2022/23 £'000 Actual	2023/24 £'000 Budget	2023/24 £'000 Actual
General Fund capital expenditure	30,704	66,098	36,543
HRA capital expenditure	65,926	83,859	70,883
Total capital expenditure	**96,630**	**149,957**	**107,426**
Resourced by:			
• Capital receipts	(14,355)	(13,441)	(16,016)
• Other contributions	(64,810)	(79,295)	(65,337)
Total available resources for financing capital expenditure	**(79,165)**	**(92,736)**	**(81,353)**
Financed from cash balances	**17,465**	**57,221**	**26,073**

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 2023/24 was set out in the Annual Treasury Management Strategy agreed by Council on 23 February 2023. In accordance with this policy, the minimum revenue provision charged to the General Fund in 2023/24 was £314,000.

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 2023/24. As at 31 March 2024, the cumulative total of Voluntary Revenue Provision charges made in previous years was £9,545,000.

5.6 During 2023/24, there was no requirement for external borrowing. Financing of capital expenditure from cash balances of £26,073,000 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 (commencing in 2024/25).

6. External Debt as at 31 March 2024

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 2024:

	Principal (£'000)
Authorised Borrowing Limit (A) – agreed by Council on 23 February 2023	550,000
PWLB Borrowing (for HRA Self-Financing, B)	213,572
Headroom (A minus B)	336,428
External borrowing in 2012/13 to 2023/24	NIL
Total current headroom	336,428

6.2 As at 31 March 2024 the only debt held by the authority related to twenty loans from the PWLB for self-financing the HRA.

7. Treasury Position as at 31 March 2024

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 2023/24 against 2022/23:

Actual Returns	**2023/24**		**2022/23**	
Deposit Type	Average Deposits (£m)	Average Rate of Return	Average Deposits (£m)	Average Rate of Return
Fixed Short-Term (<365 days)	68.24	4.88%	96.82	2.07%
Call/Overnight Accounts	11.85	4.56%	14.05	1.16%
Enhanced Cash Funds	10.00	5.26%	14.53	1.27%
Fixed Long-Term (>365 days)	14.21	3.95%	5.84	2.55%
Money Market Funds	31.17	4.98%	33.09	2.22%
CCLA Local Authorities' Property Fund	14.46	1.38%	15.00	4.04%
Overall Deposit Return	**149.93**	**4.48%**	**179.33**	**2.14%**

7.4 Total interest on treasury investments and dividends from managed funds of £7.016 million have been earned on the Council's deposits during 2023/24 at an average rate of return of 4.48% (2.14% in 2022/23). (Note that the interest earned does not exactly equal the average rate of return multiplied by the average invested balance, as the rates of return above also take into account fair value movements on the principal invested where applicable – these movements are reversed out of the General Fund under statutory requirements). This has resulted in an overall over-achievement on the budget of £4.966 million. This was substantially driven by continuing high interest rates and higher cash balances being held on deposit than assumed at the time the budget was set.

7.5 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 2024 and trends observed in 2023/24.

8.2 The Bank of England's May 2024 Monetary Policy Report also provides additional information on growth, inflation and interest rates. The Monetary Policy Committee (MPC) noted that high interest rates are continuing to reduce inflation, with CPI reaching 3.2% by March 2024 from a peak of 11.1% in October 2022. However, inflation remained above the 2.0% target, so the MPC felt the time was not yet right to begin cuts to the base rate, which remains at 5.25%. Many commentators are anticipating rate cuts in the second half of the 2024 calendar year.

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 Link continues to revise its recommendations on counterparties and appropriate durations. The Council follows Link's recommendations as reflected in the current Counterparty List at Appendix D.

11. 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. Resource constraints within the Council have meant that officers have been unable to further develop these ideas into a detailed ESG strategy for Treasury Management. However, this will remain an area of focus moving forward.

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 2024
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 2024

CURRENT DEPOSITS

The Council's deposits as at 31 March 2024 are shown in the table below:

Counterparty	% Rate	Remaining Duration	Principal (£'000)
Fixed Term Deposits			
Great Yarmouth Borough Council	4.22	4 months	6,000
Aberdeen City Council	5.60	2 months	5,000
Kingston upon Hull City Council	5.75	3 months	5,000
Derby City Council	5.90	3 months	5,000
Blackpool Council	6.30	5 months	5,000
Northumberland County Council	5.55	6 months	5,000
Medway Council	5.85	7 months	5,000
Allia Ltd	2.20	32 months	2,800
Antrim and Newtownabbey Borough Council	5.70	6 months	2,500
Total Fixed Term Deposits			**41,300**
Counterparty	**% Rate at 31/3/24**	**Minimum Duration**	**Principal (£'000)**
Variable Rate Notice Accounts			
Barclays Bank PLC	4.75	Same day	8,891
CCLA Local Authorities Property Fund	4.40	90 days	15,000
Federated Prime Rate Sterling Liquidity 3	5.29	Same day	15,000
Payden Sterling Reserve Fund	N/A*	Same day	5,000
JP Morgan Managed Reserves Fund	N/A*	Same day	5,000
Total Variable Rate Notice Accounts			**48,891**
TOTAL			**90,191**

* These are accumulating funds which may also pay dividends periodically.

Appendix B

LINK'S OPINION ON UK INTEREST AND INVESTMENT RATES AS AT 31 MARCH 2024

UK Economy

Against a backdrop of stubborn inflationary pressures, the Russian invasion of Ukraine, and war in the Middle East, UK interest rates have continued to be volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2023/24.

Markets have sought an end to central banks' on-going phase of keeping restrictive monetary policy in place on at least one occasion during 2023/24 but to date only the Swiss National Bank has cut rates and that was at the end of March 2024.

UK, EZ and US 10-year yields have all stayed stubbornly high throughout 2023/24. The table below provides a snapshot of the conundrum facing central banks: inflation is easing, albeit gradually, but labour markets remain very tight by historical comparisons, making it an issue of fine judgment as to when rates can be cut.

	UK	Eurozone	US
Bank Rate	5.25%	4%	5.25%-5.5%
GDP	-0.3%q/q Q4 (-0.2%y/y)	+0.0%q/q Q4 (0.1%y/y)	2.0% Q1 Annualised
Inflation	3.4%y/y (Feb)	2.4%y/y (Mar)	3.2%y/y (Feb)
Unemployment Rate	3.9% (Jan)	6.4% (Feb)	3.9% (Feb)

The Bank of England sprung no surprises in their March meeting, leaving interest rates at 5.25% for the fifth time in a row and, despite no MPC members no longer voting to raise interest rates, it retained its relatively hawkish guidance. The Bank's communications suggest the MPC is gaining confidence that inflation will fall sustainably back to the 2.0% target. However, although the MPC noted that "the restrictive stance of monetary policy is weighing on activity in the real economy, is leading to a looser labour market and is bearing down on inflationary pressures", conversely it noted that key indicators of inflation persistence remain elevated and policy will be "restrictive for sufficiently long" and "restrictive for an extended period".

Of course, the UK economy has started to perform a little better in Q1 2024 but is still recovering from a shallow recession through the second half of 2023. Indeed, Q4 2023 saw negative GDP growth of -0.3% while y/y growth was also negative at -0.2%.

But it was a strange recession. Unemployment is currently sub 4%, against a backdrop of still over 900k of job vacancies, and annual wage inflation is running at above 5%. With gas and electricity price caps falling in April 2024, the CPI measure of inflation - which peaked at 11.1% in October 2022 – is now due to slide below the 2% target rate in April and to remain below that Bank of England benchmark for the next couple of years, according to Capital Economics. The Bank of England still needs some convincing on that score, but upcoming inflation and employment releases will settle that argument shortly. It is noted that core CPI was still a heady 4.5% in February and, ideally, needs to fall further.

Shoppers largely shrugged off the unusually wet weather in February, whilst rising real household incomes should support retail activity throughout 2024. Furthermore, the impact of higher interest rates on household interest payments is getting close to its peak, even though fixed rate mortgage rates on new loans have shifted up a little since falling close to 4.5% in early 2024.

From a fiscal perspective, the further cuts to national insurance tax (from April) announced in the March Budget will boost real household disposable income by 0.5 - 1.0%. After real household disposable income rose by 1.9% in 2023, Capital Economics forecast it will rise by 1.7% in 2024 and by 2.4% in 2025. These rises in real household disposable income, combined with the earlier fading of the drag from previous rises in interest rates, means GDP growth of 0.5% is envisaged in 2024 and 1.5% in 2025. The Bank of England is less optimistic than that, seeing growth struggling to get near 1% over the next two to three years.

As for equity markets, the FTSE 100 has risen to nearly 8,000 and is now only 1% below the all-time high it reached in February 2023. The modest rise in UK equities in February was driven by strong performances in the cyclical industrials and consumer discretionary sectors, whilst communications and basic materials have fared poorly.

Despite its performance, the FTSE 100 is still lagging behind the S&P 500, which has been at an all-time high for several weeks.

USA Economy

Despite the markets willing the FOMC to cut rates as soon as June 2024, the continued resilience of the economy, married to sticky inflation, is providing a significant headwind to a change in monetary policy. Markets currently anticipate three rate cuts this calendar year, but two or less would not be out of the question. Currently, policy remains flexible but primarily data driven.

In addition, the Fed will want to shrink its swollen $16 trillion balance sheet at some point. Just because the $ is the world's foremost reserve currency (China owns over $1 trillion) does not mean the US can continually run a budget deficit. The mix of stubborn inflation and significant treasury issuance is keeping treasury yields high. The 10 year stands at 4.4%.

As for inflation, it is currently a little above 3%. The market is not expecting a recession, but whether rates staying high for longer is conducive to a soft landing for the economy is uncertain, hence why the consensus is for rate cuts this year and into 2025…but how many and when?

EZ Economy

Although the Euro-zone inflation rate has fallen to 2.4%, the ECB will still be mindful that it has further work to do to dampen inflation expectations. However, with growth steadfastly in the slow lane (GDP flatlined in 2023), a June rate cut from the current 4% looks probable.

Link Group Interest Rate View	08.01.24												
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.60	4.10	3.70	3.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.40	3.90	3.60	3.20	3.10	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

PRUDENTIAL AND TREASURY MANAGEMENT INDICATORS

	Actual 2022/23 £'000	Budget[1] 2023/24 £'000	Actual 2023/24 £'000
PRUDENTIAL INDICATORS			
Capital expenditure			
- General Fund	30,704	66,098	36,543
- HRA	65,926	83,859	70,883
Total	**96,630**	**149,957**	**107,426**
Capital Financing Requirement (CFR) as at 31 March			
- General Fund	54,988	81,240	67,157
- HRA	214,976	239,721	215,136
Total	**269,964**	**320,961**	**282,293**
Change in the CFR[2]	(15,654)	51,012	12,329
Deposits at 31 March	164,953	126,495	90,191
External Gross Debt	213,572	238,317	213,572
Ratio of financing costs to net revenue stream			
-General Fund	(3.93%)	1.16%	(17.73%)
-HRA	12.69%	16.55%	10.09%
Net income from commercial and service investments to net revenue stream			
-General Fund	10,809	11,078	10,626
-HRA	431	493	494
% of net revenue stream			
-General Fund	52.82%	41.82%	42.67%
-HRA	0.92%	0.97%	0.96%

1. As per Treasury Management Strategy report (TMSS) to full Council approved on 23 February 2023, after taking into account subsequent reprofiling of capital spend
2. After accounting for MRP charge and other financing of historic capital expenditure

	Actual 2022/23 £'000	Budget[1] 2023/24 £'000	Actual 2023/24 £'000
TREASURY INDICATORS			
Authorised limit			
for borrowing	450,000	550,000	550,000
for other long term liabilities	0	2,000	2,000
Total	**450,000**	**552,000**	**552,000**
Operational boundary			
for external borrowing	341,744	332,461	332,461
for other long term liabilities	1,500	1,500	1,500
Total	**343,244**	**333,961**	**333,961**
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	5,341	5,065	3,600
Net interest on variable rate borrowing/deposits	(163)	(2,258)	(3,122)
Maturity structure of new fixed rate borrowing	Lower Limit		
10 years and above (PWLB borrowing for HRA Reform)	100%	100%	100%

1. As per Treasury Management Strategy report (TMSS) to full Council approved on 23 February 2023.

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 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
Non Ring Fenced Bank (NRFB)	Government and Bank of England rules 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
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
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 and Bank of England rules 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

Term	Definition
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