



REPORT TO: Audit and Corporate Governance
Committee

26 March 2019

LEAD OFFICER: Bob Palmer, Interim Executive Director of Corporate Services

ANNUAL TREASURY MANAGEMENT (OUTTURN) REPORT 2017/18

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. The Audit and Corporate Governance Committee has the delegated authority to undertake the annual review of treasury management activities for 2017/18.

1.2 This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) in respect of 2017/18. Both publications have been revised by CIPFA and references to these documents are specifically to the 2017 Editions.

1.3 During 2017/18 the minimum requirements were that Audit and Corporate Governance Committee or Council should receive: -

- An annual strategy in advance of the year (the Council);
- An annual review following the end of the year describing the activity compared to the strategy (this report to Audit and Corporate Governance Committee)

Additionally, quarterly treasury update reports are to be made to the Finance and Staffing Portfolio Holder, in line with the Borrowing and Investment Strategy approved by Council on 23 February 2017.

1.4 In line with the above Code of Practice, as amended by the Borrowing and Investment Strategy, all treasury management reports have been presented to Audit and

Corporate Governance Committee and/or to full Council and to the Finance and Staffing Portfolio Holder, as appropriate.

2. Recommendations:

- 2.1 It is recommended that the Audit and Corporate Governance Committee note the good performance of the treasury management function, which includes the Council's actual Prudential and Treasury Indicators for 2017/18.

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 & treasury indicators;
- Treasury Management Position as at 31st March 2018 (Appendix A);
- The Council's Treasury Management advisors (Link Asset Services Ltd) view on UK Interest & Investment rates (Appendix B);
- The actual prudential and treasury indicators (Appendix C);
- Counterparty List (Appendix D); and;
- A Glossary of Terms and Abbreviations (Appendix E)

- 3.2 The Council's Capital Expenditure and Financing 2017/18

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.

The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

Table 1

	2016/17	2017/18	2017/18	2017/18
	£'000	£'000	£'000	£'000
	Actual	Original Budget *	Revised Budget **	Actual***
General Fund capital expenditure	3,199	5,959	5,959	4,436
HRA capital expenditure	14,739	17,845	18,550	16,972
3rd Party Loans - Ermine St Housing	15,653	30,000	22,921	19,853
Total capital expenditure	33,591	53,804	47,430	41,261
Financed by:				
Capital Receipts	-3,751	-7,540	-7,340	-1,417
Housing & Planning Delivery Grant		-85		
Other Grants and Contributions	-738	-1,141	-1,141	-5,838
HRA Depreciation Reserve	-6,606	-9,758	-9,738	-6,260
Reserves		-129	-339	
Housing Revenue Account (Revenue Contribution)	-6,360	-2,207	-3,007	-6,010
General Fund (Revenue Contribution)		-270	-270	-522
Total available resources for financing capital expenditure	-17,455	-21,130	-21,835	-20,047
Un-financed capital expenditure	16,136	32,674	25,595	21,214

* *Per Budget Setting Report (BSR) agreed by Council on 23rd February 2017*

** *Per Budget Setting Report (BSR) agreed by Council on 22nd February 2018*

****Per Statement of Accounts 2017/18*

3.3 The Council's overall borrowing need

During 2017/18, there was no requirement for external borrowing. Un-financed capital expenditure of £21.214m shown in the above table was met from internal cash borrowing. This is inclusive of additional loans to the value of £19.853m made to South Cambs Ltd (trading as Ermine Street Housing), from cash balances. These loans are recognised as capital expenditure in the year increasing the Council's underlying need to borrow (the Capital Financing Requirement).

Table 2

	Actual	Original Budget*	Actual
	2016/17	2017/18	2017/18
	£'000	£'000	£'000
Capital Financing Requirement (CFR) as at 1st April			
- General Fund	5,182	20,938	20,938
- HRA	204,429	204,429	204,429
Total	209,611	225,367	225,367
Change in the CFR	16,135	22,921	21,214
Minimum Revenue Provision	-379	-450	-472
Capital Financing Requirement (CFR) as at 31 March	225,367	247,838	246,109

3.4 Current Debt as at 31st March 2018

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):-

Table 3

	Principal (£'000)
Authorised Borrowing Limit (A)	249,100
Operational Boundary (B)	249,100
HRA Debt Cap/Limit (C)	205,123
PWLB Borrowing (for HRA Self-Financing, D)	205,123
General Fund Headroom (A minus D)	43,977
HRA Headroom (C minus D)	Nil
Total Current Headroom (A minus D)	43,977

At present the only debt held by the authority relates to the forty one loans from the PWLB for the self-financing of the HRA.

3.5 Treasury Position as at 31 March 2018

The Council's debt and deposit position is managed 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.

All funds are internally managed.

The table below provides a summary of the Council's debt and deposit outturn for 2017/18 compared to 2016/17.

Table 4

	Borrowing and Investment Strategy Forecast February 2017 (as agreed by Council)*	Actual as at 31 March 2018		Actual as at 31 March 2017	
		£m	Rate %	£m	Rate %
Long Term Borrowing					
PWLB	249.1	205.1	3.51%	205.1	3.51%
Market Loans	0.0	0.0		0.0	
Total Long Term	249.1	205.1	3.51%	205.1	3.51%
Short Term Borrowing	0.0	0.0		0.0	
Total borrowing	249.1	205.1	3.51%	205.1	3.51%
Investments:					
Ermine Street - South Cambs Ltd	(35.5)	(35.5)	3.73%	(24.7)	3.65%
Other Investments	(31.0)	(46.0)	0.81%	(50.9)	0.43%
Total Investments	(66.5)	(81.5)		(75.6)	
Total Net Debt / Borrowing	182.6	123.6		129.5	

* *Borrowing & Investment Strategy 2017/18 re: Budget Setting Report (BSR) agreed by Council on 23rd February 2017*

- 3.6 Investments of £81.5m were held by the Council at 31 March 2018 and included £35.506m to South Cambs Limited with a range of maturities up to 2021. A Public Works Loans Board (PWLB) loan to support lending to the company had previously been proposed for October 2016; but sufficient cash flow balances and an increase in the approved counterparty investment limits enabled the Council to continue with investments.
- 3.7 Investments achieved an in-year return of £1.446m; £0.316m more than original estimated amount of £1.130m. This was due in part to the higher rate of interest charged on investments with South Cambs Limited. Interest of £1.014m being received from South Cambs Limited and £0.432m from other fixed term deposit and money market funds.
- 3.8 The results for 2017/18 show that South Cambridgeshire investment in Ermine Street Housing Ltd achieved a return of 3.73% on average investments during the year compared to 3.65% in 2016/17.

- 3.9 Money market funds achieved an average return during the year of 0.27% a decline on the previous year. Sums held in money market funds are essentially overnight deposits to facilitate short term cash flow requirements.
- 3.10 The performance target is a greater return than average over a five-year rolling period. Over the five-year period the target has been met. In 2017/18 our WARoR (Weighted Average Rate of Return) excluding loans to Ermine Street Housing was 0.81%. This compares favourably to our Benchmarking peers whom achieved 0.69% and other non-metropolitan districts that achieved 0.63%.
- 3.11 A summary of deposits is shown at Appendix A.

4. Interest Rate Update

- 4.1 Link Asset Services is the Council's independent treasury advisor. In support of effective forecasting the Council needs to be aware of the potential influence of market interest and investment rates. Link's opinion is presented at Appendix B and provides an overview as at 31st March 2018.
- 4.2 The Bank of England's May 2018 Inflation Report gives additional information on growth, inflation and interest rates. The Bank of England's Monetary Policy Committee (MPC) noted that the outlook for growth remains reasonably solid. No changes to interest rates (0.50%, with 7 to 2 majority) or quantitative easing (£435bn) were made. Noticeable increases in employment were observed.
- 4.3 Growth did moderate, though, to around 1% during Qtr. 1 of 2018. The MPC sets monetary policy to meet the 2% inflation target, which helps to sustain growth and employment. However, CPI Inflation has risen above this target as the depreciation of sterling has begun to feed through to consumer prices.

5. Prudential and Treasury Indicators

- 5.1 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.

6. The Counterparty List

- 6.1 The Current Counterparty List is included at Appendix D.

7. Markets in Financial Instruments Directive II (MiFID II)

- 7.1 MiFID II and the accompanying Regulation on Markets in Financial Instruments and Amending Regulation (MiFIR) are both pieces of legislation that seek to provide a European-wide legislative framework for regulating the operation of financial markets in the European Union. These revised Regulations have an implementation date of 3rd January 2018.
- 7.2 In order to continue to invest in the financial instruments approved in our counterparty list shown in Appendix D, the council will have to show that the officers involved have

the knowledge, skills and training to qualify for professional status, otherwise these new regulations may restrict the use of some of the more regulated financial products that the Council currently uses. The Council has registered with the various financial institutions, to carry on with these investments and has been successfully upgraded to professional status.

8. Implications

Financial

Interest payable and receivable are reflected in the Council's existing budgets and reviewed appropriately.

Risk Management

Treasury risks are managed through compliance with the investment strategy and the consideration of Security, Liquidity and Yield, in that order, when assessing potential treasury investments

9. Consultation responses

None required.

10. Effect on Strategic Aims

The report addresses the investment of the council's cash balances, and as such supports all strategic aims.

11. Appendices

Appendix A – The Council's deposits as at 31st March 2018
Appendix B – Link's opinion on UK interest rates
Appendix C – Prudential Indicators – Outturn for 2017/18
Appendix D – Current Counterparty List
Appendix E – Glossary of Terms and Abbreviations

Background Papers

Where [the Local Authorities \(Executive Arrangements\) \(Meetings and Access to Information\) \(England\) Regulations 2012](#) require documents to be open to inspection by members of the public, they must be available for inspection: -

- (a) at all reasonable hours at the offices of South Cambridgeshire District Council;
- (b) on the Council's website; and
- (c) in the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

No background papers were used in the preparation of this report

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TREASURY MANAGEMENT POSITION AS AT 31st March 2018

The Council's current deposits and investments as at 31st March 2018 are shown in the table below: -

Category	Counterparty	% Rate	Duration in Days	Principal (£'000)
Building Society	Skipton BS	0.77%	364	3,500
Building Society	Skipton BS	0.75%	364	2,500
Building Society	Skipton BS	0.76%	364	2,000
Clearing Bank	Lloyds Bank	0.90%	364	1,000
Clearing Bank	Lloyds Bank	0.82%	352	1,000
Clearing Bank	Lloyds Bank	1.00%	364	500
Clearing Bank	Santander UK	0.68%	364	1,000
Clearing Bank	Santander UK	0.62%	364	1,000
Clearing Bank	Lloyds Bank	0.75%	332	1,000
Clearing Bank	Barclays Bank plc	0.69%	364	2,000
Clearing Bank	Barclays Bank plc	0.65%	364	2,000
Clearing Bank	Barclays Bank plc	0.54%	364	1,000
Clearing Bank	Barclays Bank plc	0.57%	364	1,000
Clearing Bank	Lloyds Bank	0.65%	364	1,000
Clearing Bank	Barclays Bank plc	0.58%	364	1,000
Clearing Bank	Lloyds Bank	0.65%	364	1,000
Clearing Bank	Lloyds Bank	0.78%	363	1,000
Clearing Bank	Barclays Bank plc	0.58%	364	1,500
Clearing Bank	Lloyds Bank	0.80%	364	1,000
Clearing Bank	Lloyds Bank	0.80%	364	1,000
Clearing Bank	Lloyds Bank	0.80%	364	1,500
Housing Association	Places for People	1.25%	364	1,500
Housing Association	Places for People	1.25%	364	2,500
Housing Association	Places for People	1.25%	364	1,000
Local Authority	LB of Havering	0.80%	16	2,000
Local Authority	Wirral MBC	0.85%	31	2,000
Other	Close Bros	1.10%	358	1,000
Other	Close Bros	0.80%	358	1,000
Other	Close Bros	0.80%	363	1,000
Other	Close Bros	0.80%	364	2,000
Money Market Fund	Standard Life	0.46%	1 day	3,425
South Cambs Ltd	Ermine St	3.85%	589	27,416
South Cambs Ltd	Ermine St	1.00%	183	2,102
South Cambs Ltd	Ermine St	3.20%	273	5,987
Shares	UK Municipal Bond Agency			50
Total				81,480

**LINK'S OPINION ON UK INTEREST & INVESTMENT RATES
AS AT 31ST MARCH 2018**

During the calendar year 2017, there was a major shift in expectations in financial markets in terms of how soon Bank Rate would start on a rising trend. After the UK economy surprised on the upside with strong growth in the second half of 2016, growth in 2017 was disappointingly weak in the first half of the year which meant that growth was the slowest for the first half of any year since 2012. The main reason for this was the sharp increase in inflation caused by the devaluation of sterling after the EU referendum, feeding increases into the cost of imports into the economy. This caused a reduction in consumer disposable income and spending power as inflation exceeded average wage increases. Consequently, the services sector of the economy, accounting for around 75% of GDP, saw weak growth as consumers responded by cutting back on their expenditure. However, growth did pick up modestly in the second half of 2017. Consequently, market expectations during the autumn, rose significantly that the MPC would be heading in the direction of imminently raising Bank Rate. The minutes of the MPC meeting of 14 September indicated that the MPC was likely to raise Bank Rate very soon. The 2 November MPC quarterly Inflation Report meeting duly delivered by raising Bank Rate from 0.25% to 0.50%.

The 8 February 2018 MPC meeting minutes then revealed another sharp hardening in MPC warnings on a more imminent and faster pace of increases in Bank Rate than had previously been expected.

Market expectations for increases in Bank Rate, therefore, shifted considerably during the second half of 2017-18 and resulted in **investment rates** from 3 – 12 months increasing sharply during the spring quarter.

PWLB borrowing rates increased correspondingly to the above developments with the shorter-term rates increasing more sharply than longer term rates. In addition, UK gilts have moved in a relatively narrow band this year, (within 25 bps for much of the year), compared to **US treasuries**. During the second half of the year, there was a noticeable trend in treasury yields being on a rising trend with the Fed raising rates by 0.25% in June, December and March, making six increases in all from the floor. The effect of these three increases was greater in shorter terms around 5 year, rather than longer term yields.

The major UK landmark event of the year was the inconclusive result of the **general election** on 8 June. However, this had relatively little impact on financial markets.

Link's Prediction for Interest Rates

The following table shows when Link predict interest rates will rise, together with an estimate of other interest rates. Link estimate that the Bank Rate will rise from 0.50% to 0.75% in November 2018.

	NOW	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
BANK RATE	0.50%	0.50%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%
3 month LIBID	0.60%	0.70%	0.90%	0.90%	0.90%	1.10%	1.20%	1.30%	1.40%	1.50%	1.60%	1.60%
6 month LIBID	0.70%	0.80%	1.00%	1.00%	1.00%	1.20%	1.20%	1.30%	1.00%	1.60%	1.70%	1.70%
12 month LIBID	0.80%	0.90%	1.10%	1.10%	1.20%	1.30%	1.40%	1.40%	1.60%	1.70%	1.80%	1.80%
5 yr PWLB	1.90%	2.00%	2.00%	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.40%	2.50%	2.50%
10 yr PWLB	2.40%	2.40%	2.00%	2.60%	2.60%	2.70%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%
25 yr PWLB	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%
50 yr PWLB	2.40%	2.50%	2.60%	2.70%	2.80%	2.90%	3.00%	3.00%	3.10	3.10	3.20%	3.20%

Link's Issue Date:- 11th May 2018

PRUDENTIAL & TREASURY MANAGEMENT INDICATORS

	Actual 2016/17 £'000	Revised Budget* 2017/18 £'000	Actual 2017/18 £'000
PRUDENTIAL INDICATORS			
Capital expenditure * (Note 1)			
- General Fund	3,199	5,959	4,436
- HRA	14,739	18,550	16,972
3 rd Party Loans – Ermine Street Housing	15,653	22,921	19,853
Total	33,591	47,430	41,261
Capital Financing Requirement (CFR) as at 1st April			
- General Fund	5,182	20,938	20,938
- HRA	204,429	204,429	204,429
Total	209,611	225,367	225,367
Change in the CFR	16,135	22,921	21,214
Minimum Revenue Provision	-379	-450	-472
Capital Financing Requirement (CFR) as at 31 March	225,367	247,838	246,109
Deposits at 31 March	75,526		81,480
External Gross Debt	205,123	205,123	205,123
Ratio of financing costs to net revenue stream			
-General Fund	-2.00%	-3.00%	-2.00%
-HRA	24.00%	22.00%	24.00%

*Note1: Refers to the Council's Budget Setting Report 2018/19 as agreed by Council on 22nd February 2018.

PRUDENTIAL & TREASURY MANAGEMENT INDICATORS

	Actual 2016/17 £'000	Original Budget* 2017/18 £'000	Actual 2017/18 £'000
TREASURY INDICATORS			
Authorised limit			
for borrowing (Note 1)	205,123	249,100	249,100
for other long-term liabilities	0	0	0
Total	205,123	249,100	249,100
HRA Debt Limit	205,123	205,123	205,123
Operational boundary			
for external borrowing (Note 1)	205,123	249,100	249,100
for other long-term liabilities	0	0	0
Total	205,123	249,100	249,100
Upper limit for total principal sums deposited for over 364 days & up to 5 years	41,000	41,000	41,000
Limits for exposure to fixed & variable rate borrowing (Borrowing less investments)			
Fixed rate borrowing/deposits		100%	159%
Variable rate borrowing/deposits		100%	-59%
Maturity structure of new fixed rate borrowing		Upper Limit	Lower Limit
10 years and above (PWLB borrowing for HRA Reform)		100%	100%

Note 1:- Per Borrowing & Investment Strategy Report 2017/18 agreed by Council on 23rd February 2017

Fixed Rate calculation:

<i>(Fixed rate borrowing * - Fixed rate investments*) divided by (Total borrowing - Total investments)</i>	159%
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*Defined as greater than 1 year to run

Variable Rate calculation:

<i>(Variable rate borrowing** - Variable rate investments**) divided by (Total borrowing - Total investments)</i>	-59%
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** Defined as less than 1 year to run or in the case of LOBO borrowing the call date falling within the next 12 months.

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. These counterparties have also been shown under Specified and Non-Specified Investments (in line with MHCLG Guidance).

Name	Council's Current Deposit Period	Category	Limit (£)
Specified Investments:-			
All UK Local Authorities	N/A	Local Authority	10m
All UK Police Authorities	N/A	Police Authority	10m
All UK Fire Authorities	N/A	Fire Authority	10m
Debt Management Account Deposit Facility	N/A	DMADF	Unlimited
Barclays Bank Plc	Using Credit Criteria Chart	UK Bank	10m
HSBC Bank Plc	Using Credit Criteria Chart	UK Bank	10m
Lloyds Bank Plc	Using Credit Criteria Chart	UK Bank	10m
Santander UK Plc	Using Credit Criteria Chart	UK Bank	10m
Other UK Retail & Clearing Banks	Using Credit Criteria Chart	UK Banks	10m
Subsidiaries of UK Banks (provided the subsidiaries are UK-incorporated deposit takers under the Financial Services and Markets Act 2000 and provided loans are for a maximum period of three months)	Using Credit Criteria Chart	UK Banks	3m
Places for People Homes Ltd	Using Credit Criteria Chart	Registered Housing Association	5m
Close Brothers Ltd	Using Credit Criteria Chart	UK Retail Bank	5m
Money Market Funds: HSBC GLF MMF Aberdeen Standard Life Deutsche GLS Barclays Call Account	Liquid Rolling Balance	Financial Instrument	10m (per fund)

Name	Council's Current Deposit Period	Society Asset Value (£'m) – as at 1st May 2018	Limit (£)
Other Specified Investments - UK Building Societies: -			
Nationwide Building Society	Deposit period: Using Credit Criteria chart below	221,670	Assets greater than £10,000m Limit - £10m
Yorkshire Building Society		42,047	
Coventry Building Society		42,573	Assets between £10,000m and £5,000m Limit - £5m
Skipton Building Society		21,024	
Leeds Building Society		18,484	
Principality Building Society		9,263	Assets between £5,000m and £1,500m Limit - £3m
Nottingham Building Society		3,988 (Jun 2018)	
Name	Council's Current Deposit Period	Category	Limit (£)
Non-Specified Investments: -			
All UK Local Authorities – longer term limit	Over 1 year and up to 5 years	Local Authority	10m per single counterparty
CCLA Local Authorities' Property Fund	Minimum of 5 years	Pooled UK Property Fund	Up to 10m
South Cambs Ltd - Housing Co.	Up to 5 year	Loan	107m
UK Municipal Bonds Agency	N/A	Share Capital	0.050m

Grading (for the purpose of standardisation)		Fitch		Moody's		Standard & Poor's				
		Long Term	Short Term less than or equal to one year		Long Term	Short Term less than or equal to one year		Long Term	Short Term less than or equal to one year	
Investment Grade	Extremely strong Grade	AAA	F1+		Aaa	P-1		AAA	A-1+	
	Very Strong Grade	AA+	F1+		Aa1	P-1		AA+	A-1+	
		AA	F1+		Aa2	P-1		AA	A-1+	
		AA-	F1+		Aa3	P-1		AA-	A-1+	
	Strong, but susceptible to adverse conditions grade (strong grade)	A+	F1+	F1	A1	P-1		A+	A-1+	A-1
		A	F1		A2	P-1	P-2	A	A-1+	
		A-	F1	F2	A3	P-1	P-2	A-	A-1+	A-2
	Adequate grade	BBB+	F2		Baa1	P-2		BBB+	A-2	
		BBB	F2	F3	Baa2	P-2	P-3	BBB	A-2	A-3
		BBB-	F3		Baa3	P-3		BBB-	A-3	
Sub-investing Grade	Speculative grade	BB+	B		Ba1	Not Prime (NP)		BB+	B-1	
		BB	B		Ba2	NP		BB	B-2	
		BB-	B		Ba3	NP		BB-	B-3	
	Very speculative grade	B+	B		B1	NP		B+	-	
		B	B		B2	NP		B	-	
		B-	B		B3	NP		B-	-	
	Vulnerable grade	CCC	C		Caa1	NP		CCC+	C	
		CCC	C		Caa2	NP		CCC	C	
		CCC	C		Caa3	NP		CCC-	C	
		CC	C		-	NP		CC	C	
C		C		Ca	NP		C	C		
Defaulting grade	D	D		C	NP		D	D		

SCDC Investment Criteria

Appendix E

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
CIPFA	Chartered Institute of Public Finance and Accountancy
Corporate Bonds	Financial instruments issued by corporations
Counter-parties	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
DCLG	Department for 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
HRA	Housing Revenue Account - a 'ring-fenced' account for local authority housing account where a council acts as landlord
HRA Self-Financing	A new funding regime for the HRA introduced in place of the previous annual subsidy system
London Interbank Offered rate (LIBOR)	A benchmark rate that some of the leading banks charge each other for short-term loans
London Interbank Bid Rate (LIBID)	The average interest rate which major banks London banks borrow Eurocurrency deposits from other banks
Liquidity	A measure of how readily available a deposit is

Term	Definition
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-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
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
Yield	Interest, or rate of return, on an investment