Appendix 4
Treasury Management Strategy Statement 2019-20 to 2021-22

1. Executive Summary

1.1 The council is required to receive and approve, as a minimum, three main treasury management reports each year, which incorporate a variety of policies, estimates and actuals.

1.2 The first and most important is the Treasury Management Strategy Statement (this report) incorporating prudential and treasury indicators which covers:

- Capital plans (including prudential indicators)
- A Minimum Revenue Provision policy which explains how unfinanced capital expenditure will be charged to revenue over time;
- The Treasury Management Strategy (how investments and borrowings are to be organised) including treasury indicators; and

1.3 A mid-year treasury management report is produced to update members on the progress of the capital position, amending prudential indicators as necessary and to advise if any policies require revision.

1.4 The outturn or annual report compares actual performance to the estimates in the Strategy.

1.5 The statutory framework for the prudential system under which local government operates is set out in the Local Government Act 2003 and Capital Financing and Accounting Statutory Instruments. The framework incorporates four statutory codes. These are:

- The Prudential Code prepared by CIPFA
- The Treasury Management Code prepared by CIPFA
- The Statutory Guidance on Local Authority Investments prepared by Ministry of Housing, Communities and Local Government (MHCLG)
- The Statutory Guidance on Minimum Revenue Provision prepared by MHCLG

1.6 CIPFA have published a revised Prudential Code (2017 edition) with accompanying Guidance Notes for Practitioners (2018 edition) and the Treasury Management Code (2017 edition).

1.7 The MHCLG have also published a revised Investment Guidance and Minimum Revenue Provision Guidance (both commenced on 1st April 2018). This report therefore reflects the new requirements. The most notable change is the requirement to expand the Investment Strategy to non-financial assets such as investments in property.

1.8 The council's S151 Officer has considered the deliverability, affordability and risk associated with the council's capital expenditure plans and treasury management activities. The plans are affordable and where there are risks such as the slippage of capital expenditure or reductions in income or value from investments these have been considered and are mitigated or at an acceptable level. The council has access to specialist advice where appropriate.

1.9 Treasury management reports are required to be adequately scrutinised before being recommended to Council. The Treasury Management Strategy is scrutinised by the Overview and Scrutiny Committee alongside the council's budget papers each year. Scrutiny and approval of the half year and outturn reports is delegated to the Audit and Corporate Governance Committee.

2. Recommendations

Council is asked to approve:

2.1 This report, including the estimated Prudential & Treasury Indicators for 2019/20 to 2021/22, inclusive, as set out in Appendix C;

2.2 To increase the upper limit of investment in Ermine Street Housing (ESH) to £64.561m in 2018/19, £76.068m in 2019/20 and £88.757m in 2020/21 in line with the current ESH business plan. This lending will be supported by external borrowing to the extent necessary to maintain a minimum £20m working cash balance (i.e. total investment balance less loans to Ermine Street Housing);

2.3 To set the council's operational boundary and authorised borrowing limit for external debt in relation to its need to borrow (as expressed by the Capital Financing Requirement), being £5m and £10m respectively over this amount.

3. Background

3.1 Treasury Management Activities

3.2 The council is required to comply with the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice. The council is required to set prudential and treasury indicators, including an authorised limit for borrowing, for a three-year period and should ensure that its capital plans are affordable, prudent and sustainable. The council also follows MHCLG Investment Guidance.

3.3 The council contracted with Link Asset Services during 2018/19 to provide treasury management advice on developments and best practice in this area and information on the creditworthiness of potential counterparties, deposit and borrowing interest rates and the economy.

4. Borrowing Policy Statement

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

4.2 At present the only debt held by the authority relates to the 41 loans from the PWLB for self-financing the HRA taken out in 2012 totalling £205,123,000.

4.3 The council does anticipate that there may be some external borrowing for the period 2019/20 to 2021/22, inclusive. Hence the recommendation above to increase the council’s external authorised borrowing Limit.

4.4 In the event that external borrowing is undertaken the council is able as an eligible local authority to access funds at the PWLB Certainty Rate (a 0.20% discount on loans) until 31st October 2019.

4.5 The council will not borrow more than or in advance of its needs purely to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the council can ensure the security of such funds.

5. Minimum Revenue Provision (MRP) Policy Statement

5.1 Minimum Revenue Provision (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 There is no requirement to charge MRP where the Capital Financing Requirement (CFR) is nil or negative at the end of the preceding financial year.

5.4 The Housing Revenue Account share of the CFR is not subject to an MRP charge.

5.5 There is no requirement to make a MRP charge on an asset until the financial year after that asset becomes operational.

5.6 The Government has issued revised guidance (issued in January 2018) on the calculation of MRP. The council is required to have regard to the guidance based on the underlying principle that the provision should be linked to the life of the assets for which the borrowing is required.

5.7 However, the guidance is clear that differing approaches can be considered if the resulting provision is prudent.

5.8 In general, the council will make a minimum revenue provision based on the equal instalment method, amortising expenditure equally over the estimated useful life of the asset for which the borrowing is required. However, no provision will be made in respect of expenditure on specific projects where the Chief Financial Officer determines that receipts will be generated by the project to repay the debt.

5.9 Where a loan is made to a wholly owned subsidiary of the council, the loan is deemed to be secured on the assets of the company. Evidence of the ability to repay the loan will be based on the company's business plan and asset valuation, and no minimum revenue provision will be made. The council will review the loan and business plan annually, where there is evidence that suggests the full amount of the loan will not be repaid it will be necessary to reassess the charge to recover the impaired amounts from revenue.

5.10 Exceptionally, where capital expenditure is part of a loan agreement to other than a wholly owned subsidiary, the council may register a fixed and floating charge over the counterparty assets to secure the council's interest in the investment, or alternately an equity share interest in an asset with value.

5.11 The council is considering a programme of investment in commercial property using powers under S12 of the Local Government Act 2003. This is deemed capital expenditure and will be financed from cash balances and/or external borrowing as appropriate at the time. MRP will be provided for using the useful life determinant with regard to maximum lives permitted in the revised MHCLG MRP guidance of 50 years for freehold land and 40 years for all other assets. MRP will be made on the purchase of these properties from the date that rental income is earned.

6. The council's Capital Expenditure and Financing 2018/19 to 2021/22

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.

Table 1 – Capital expenditure and financing

£'000	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Capital expenditure					
General Fund	4,436	4,051	23,854	27,895	23,263
HRA	16,972	18,637	27,031	35,851	21,947
Third party loans - ESH	10,845	28,055	12,507	12,689	-
Third party loans - Other	-	2,400	-	-	-
Total capital expenditure	**32,253**	**53,143**	**63,392**	**76,435**	**45,210**
Resourced by:					
Capital receipts	(1,417)	(4,718)	(6,860)	(8,822)	(5,066)
Other contributions	(18,630)	(17,125)	(24,025)	(34,924)	(20,144)
Total available resources for financing capital expenditure	**(20,047)**	**(21,843)**	**(30,885)**	**(43,746)**	**(25,210)**
Un-financed capital expenditure	**12,206**	**31,300**	**32,507**	**32,689**	**20,000**

7. The council's Prudential and Treasury Management Indicators

7.1 The table below 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.

Table 2 - Capital Financing Requirement and cumulative external borrowing

£'000	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
CFR as at 1st April					
- General Fund	20,938	32,672	63,255	95,006	126,896
- HRA	204,429	204,429	204,429	204,429	204,429
Total	**225,367**	**237,101**	**267,684**	**299,435**	**331,325**
Un-financed capital expenditure	12,206	31,300	32,507	32,689	20,000
Minimum Revenue Provision (MRP)	(472)	(717)	(756)	(799)	(689)
CFR as at 31st March	**237,101**	**267,684**	**299,435**	**331,325**	**350,636**
Movement in CFR	**11,734**	**30,583**	**31,751**	**31,890**	**19,311**
Estimated external gross debt / borrowing (including HRA reform)	205,123	205,123	237,630	270,319	290,319
Authorised limit for external debt	249,100	277,684	309,435	341,325	360,636
Operational boundary for external debt	249,100	272,684	304,435	336,325	355,636

7.2 During the above financial years the Council will operate 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 C.

7.3 It is recommend that, from 2018/19 onwards, the authorised limit and operational boundary for external debt are set with reference to the estimated CFR, to ensure that the council has sufficient approved borrowing capacity, if needed.

8. Investment Strategy

8.1 The Council's overall approach to investment in financial and non-financial assets is outlined in the Capital and Investment Strategies presented in a separate report to Cabinet**.**

Financial Asset Counterparties

8.2 The full listing of approved counterparties is presented at Appendix A, showing the category under which, the counterparty has been approved, the appropriate deposit limit and how duration limits are determined.

8.3 The Council's loans as at 31 March 2018 and 30 September 2018 were as follows: -

	2017/18		2018/19	
	Actual as at 31 March 2018		Actual as at 30 September 2018	
	£m	Rate %	£m	Rate %
Loans:				
Local authorities	4.00	0.83	9.00	0.83
Clearing banks	20.50	0.71	27.00	0.90
Other banks	5.00	0.87	5.00	1.11
Housing Associations	5.00	1.25	5.00	1.25
Money Market Funds	3.43	0.46	1.62	0.67
Building Societies with assets:				
- Greater than £10bn	8.00	0.76	16.50	0.77
- Between £5bn and £10bn	0.00			
- Between £1.5bn and £5bn	0.00			
Shares	0.05		0.05	
Ermine Street - South Cambs Ltd	35.50	3.74	49.08	3.78
Other Investments				
Total Loans	**81.48**		**113.25**	

8.4 **Loan security**

The Chief Financial Officer will review at least annually the list of approved organisations and make appropriate amendments to individual organisations on the list, but not to the principles on which it is compiled without the approval of the cabinet.

9. Brexit Update

9.1 At the time of writing this report there is still considerable uncertainly around the country's proposed exit from the EU on 29 March 2019, following the cancellation of the parliamentary vote on 11 December 2018. This is currently now scheduled for the week commencing 14 January 2019.

9.2 The council will continue to monitor the situation and to take advice from treasury advisors as appropriate.

10. Money Market Fund (MMF) Reforms

10.1 The Money Market Fund Regulation came into force on 21st July 2018 which impacts immediately on any new funds created. Existing funds will have to be compliant by no later than 21st January 2019.

10.2 The above Regulation provides investors with a new way of categorising a MMF depending on the level of risk, which could cause fluctuations in their capital values. All the MMFs that the Council uses will be converted from a Constant Net Asset Value (CNAV) to a Low Volatility Net Asset Value (LVNAV) on a month by month basis up to the compliant date of 21st January 2019. In practice, little practical impact has been seen, so no changes are recommended in the investment strategy in relation to these funds.

11. Interest Rates & Interest Received

11.1 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 interest rates on treasury management issues for the Council. Link's opinion on interest rates is presented at Appendix B.

11.2 Total interest and dividends of £917,585 has been received on the Council's deposits up to 30th November 2018 (for this financial year) at an average rate of 1.30% (1.06% in 2017/18). This is an under-achievement compared with the budget to date of £108,655, as interest rates have been lower than had been anticipated.

11.3 The Bank of England's Monetary Policy Committee decided to increase its Base Rate by 0.25% to 0.75%, on 2nd August 2018. This is reflected within Link's interest rate predictions at Appendix B.

12. Implications

Financial Implications

The prudential and treasury indicators have been amended to take account of known financial activities.

Risk management

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

13. Consultation responses

13.1 None required.

14. Background papers

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

15. Appendices

15.1 Appendix A – The Council's current counterparty list
Appendix B – Link's opinion on UK forecast interest rates
Appendix C – Prudential and Treasury Management Indicators
Appendix D – 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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Appendix A

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 Link Asset Services Credit Criteria	UK Bank	10m
HSBC Bank Plc	Using Link Asset Services Credit Criteria	UK Bank	10m
Lloyds Bank Plc	Using Link Asset Services Credit Criteria	UK Bank	10m
Santander UK Plc	Using Link Asset Services Credit Criteria	UK Bank	10m
Other UK Retail & Clearing Banks	Using Link Asset Services Credit Criteria	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 Link Asset Services Credit Criteria	UK Banks	3m
Places for People Homes Ltd	Using Link Asset Services Credit Criteria	Registered Housing Association	5m
Close Brothers Ltd	Using Link Asset Services Credit Criteria	UK Retail Bank	5m

Name	Council's Current Deposit Period	Category	Limit (£)
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	Using Link Asset Services Credit Criteria	221,670	Assets greater than £10,000m **Limit - £10m** Assets between £10,000m and £5,000m **Limit - £5m** Assets between £5,000m and £1,500m **Limit - £3m**
Yorkshire Building Society		42,047	
Coventry Building Society		42,573	
Skipton Building Society		21,024	
Leeds Building Society		18,484	
Principality Building Society		9,263	
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 years	Loan	107m
UK Municipal Bonds Agency	N/A	Share Capital	0.050m

Appendix B

Link Asset Services - Prospects for interest rates

The council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the council to formulate a view on interest rates. The following table gives our central view.

Link Asset Services Interest Rate View	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%	2.00%
3 Month LIBID	0.80%	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
6 Month LIBID	0.90%	1.00%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%
12 Month LIBID	1.10%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
5yr PWLB Rate	2.00%	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%
10yr PWLB Rate	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
25yr PWLB Rate	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.40%

The flow of generally positive economic statistics after the quarter ended 30 June meant that it came as no surprise that the MPC came to a decision on 2 August to make the first increase in Bank Rate above 0.5% since the financial crash, from 0.5% to 0.75%. Growth has been healthy since that meeting but is expected to weaken somewhat during the last quarter of 2018. At their November meeting, the MPC left Bank Rate unchanged, but expressed some concern at the Chancellor's fiscal stimulus in his Budget, which could increase inflationary pressures. However, it is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. The next increase in Bank Rate is therefore forecast to be in May 2019, followed by increases in February and November 2020, before ending up at 2.0% in February 2022.

The overall longer run future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently. However, over about the last 25 years, we have been through a period of falling bond yields as inflation subsided to, and then stabilised at, much lower levels than before, and supported by central banks implementing substantial quantitative easing purchases of government and other debt after the financial crash of 2008. Quantitative easing, conversely, also caused a rise in equity values as investors searched for higher returns and purchased riskier assets. In 2016, we saw the start of a reversal of this trend with a sharp rise in bond yields after the US Presidential election in November 2016, with yields then rising further as a result of the big increase in the US government deficit aimed at stimulating even stronger economic growth. That policy change also created concerns around a significant rise in inflationary pressures in an economy which was already running at remarkably low levels of unemployment. Unsurprisingly, the Fed has continued on its series of robust responses to combat its perception of rising inflationary pressures by repeatedly increasing the Fed funds rate to reach 2.00 – 2.25% in September 2018. It has also continued its policy of not fully reinvesting proceeds from bonds that it holds as a result of quantitative easing, when they mature. We therefore saw US 10 year Treasury yields rise above 3.2% during October 2018 and also saw investors causing a sharp fall in equity prices as they sold riskier assets.

Rising bond yields in the US have also caused some upward pressure on bond yields in the UK and other developed economies. However, the degree of that upward pressure has been dampened by how strong or weak the prospects for economic growth and rising inflation are in each country, and on the degree of progress towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crises, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

Investment and borrowing rates

- Investment returns are likely to remain low during 2019/20 but to be on a gently rising trend over the next few years.
- Borrowing interest rates have been volatile so far in 2018-19 and have increased modestly since the summer. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt;

Appendix C

PRUDENTIAL & TREASURY MANAGEMENT INDICATORS

£'000	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
PRUDENTIAL INDICATORS					
Capital expenditure					
General Fund	4,436	4,051	23,854	27,895	23,263
HRA	16,972	18,637	27,031	35,851	21,947
Third party loans - ESH	10,845	28,055	12,507	12,689	-
Third party loans - Other	-	2,400	-	-	-
Total capital expenditure	**32,253**	**53,143**	**63,392**	**76,435**	**45,210**
Capital Financing Requirement (CFR) as at 31 March					
- General Fund	20,938	32,672	63,255	95,006	126,896
- HRA	204,429	204,429	204,429	204,429	204,429
Total	**225,367**	**237,101**	**267,684**	**299,435**	**331,325**
Change in CFR	**11,734**	**30,583**	**31,751**	**31,890**	**19,311**
Deposits at 31 March	**81,431**	**85,000**	**70,000**	**60,000**	**50,000**
External Gross Debt	**205,123**	**205,123**	**237,630**	**270,319**	**290,319**
Ratio of financing costs to net revenue stream					
- General Fund	**-2%**	**-2%**	**-2%**	**-1%**	**-1%**
- HRA	**24%**	**24%**	**24%**	**24%**	**24%**

PRUDENTIAL & TREASURY MANAGEMENT INDICATORS

£'000	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
TREASURY INDICATORS					
Authorised limit					
for borrowing	249,100	277,684	309,435	341,325	360,636
for other long-term liabilities	0	0	0	0	0
Total	**249,100**	**277,684**	**309,435**	**341,325**	**360,636**
HRA	205,123	205,123	205,123	205,123	205,123
Operational boundary					
for borrowing	249,100	272,684	304,435	336,325	355,636
for other long-term liabilities	0	0	0	0	0
Total	**249,100**	**272,684**	**304,435**	**336,325**	**355,636**
Upper limit for total principal sums deposited for over 364 days	**41,000**	**70,000**	**80,000**	**95,000**	**95,000**
Limits for exposure to fixed and variable rate borrowing (borrowing less investments)					
Fixed rate borrowing / deposits	159%	178%	176%	176%	176%
Variable rate borrowing / deposits	-59%	-68%	-71%	-71%	-71%
Maturity structure of new fixed rate borrowing		Upper Limit	Lower Limit		
10 years and above		100%	0%		

Appendix D

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
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
MHCLG	Ministry for Housing, Communities & Local Government (formerly the Department for Communities & Local Government, DCLG)
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)
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

Term	Definition
London Interbank Bid Rate (LIBID)	The average interest rate which major London banks borrow Eurocurrency deposits from other banks
Liquidity	A measure of how readily available a deposit is
MPC	Monetary Policy Committee - The Bank of England Committee responsible for setting the UK's bank base rate
Low Volatility Net Asset Value (LVNAV)	Highly liquid sovereign stock based on a Constant Net Asset Value (CNAV)
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 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 & other prescribed bodies may borrow at favourable interest rates
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
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
Variable Net Asset Value (VNAV)	MMFs values based on daily market fluctuations to 2 decimal places known as mark-to-market prices
UK Government Treasury Bills	Short-term securities with a maximum maturity of 6 months issued by HM Treasury
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