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CABINET

17 July 2018

ANNUAL REPORT ON TREASURY MANAGEMENT AND ACTUAL PRUDENTIAL INDICATORS 2017/18

Report of the Director for Resources

Strategic Aim:	Sound Financial Planning	
Key Decision: Yes	Forward Plan Reference: FP/240518	
Exempt Information	No	
Cabinet Member(s) Responsible:	Councillor Gordon Brown, Portfolio Holder for Regulatory Services, Waste Management, Property Services, Culture & Leisure, Finance.	
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Ward Councillors	N/A	

DECISION RECOMMENDATIONS
That Cabinet: 1. Notes the actual 2017/18 prudential indicators within the report. 2. Notes that the treasury management stewardship for 2017/18 was in compliance with the treasury management strategy.

1 PURPOSE OF THE REPORT

1.1 Report 41/2017 set the Treasury Management Strategy for 2017/18 linked to the Council's Budget, Medium Term Financial Plan and Capital Plans. It is inextricably linked to delivering the Council's aims and objectives.

1.2 This report sets out how the Council has performed against the Strategy.

2 BACKGROUND AND MAIN CONSIDERATIONS

2.1 The Council's annual treasury report in Appendix A includes information on the performance of the treasury management service. The key points to note in year are:

- The Council has only invested with approved institutions and within approved limits (Appendix A, paragraph 2.2.3 refers) ;
- The Councils made a return on investment of 0.66% compared to the LIBOR rate of 0.49% (Appendix A, paragraph 2.3.1 refers) ;
- The Council did not undertake any external borrowing in year and therefore did not breach the operational boundary for borrowing (£23m) (Appendix A, paragraph 3.4.3 refers); and
- No external debt was repaid early as there was not a financial business case to do so (Appendix A, paragraph 3.4.3 refers).

3 CONSULTATION

3.1 No formal consultation is required.

4 ALTERNATIVE OPTIONS

4.1 This report is for noting, there are no alternative options.

5 FINANCIAL IMPLICATIONS

5.1 There are no financial implications arising from this report.

6 LEGAL AND GOVERNANCE CONSIDERATIONS

6.1 The report meets the requirements of both the CIPFA Code of Practice on Treasury Management, the CIPFA Prudential Code for Capital Finance in Local Authorities and the Council's Financial Procedure Rules. The Council is required to comply with both Codes through Regulations issued under the Local Government Act 2003.

6.2 The Council's treasury management activities for 2017/18 were regulated by a variety of professional codes, statutes and guidance (which have been updated for 2018/19):

- The Local Government Act 2003 (the Act), which provides the powers to borrow and invest as well as providing controls and limits on this activity;

- The Act permits the Secretary of State to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing which may be undertaken (although no restrictions were made in 2012/13);

- Statutory Instrument (SI) 3146 2003, as amended, develops the controls and powers within the Act;

- The SI requires the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities;

- The SI also requires the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services;

- Under the Act MHCLG has issued Investment Guidance to structure and regulate the Council's investment activities; and

- Under Section 238(2) of the Local Government and Public Involvement in Health Act 2007 the Secretary of State has taken powers to issue guidance on accounting practices. Guidance on Minimum Revenue Provision was issued under this section on 8 November 2007.

6.3 The Council's Treasury Management Strategy explains how it complies with this legal framework.

7 EQUALITY IMPACT ASSESSMENT

7.1 An Equality Impact Assessment (EqIA) has not been completed because there are no service, policy or organisational changes being proposed.

8 COMMUNITY SAFETY IMPLICATIONS

8.1 There are no community safety implications.

9 HEALTH AND WELLBEING IMPLICATIONS

9.1 There are no health and wellbeing implications.

10 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

10.1 The report summarises treasury management performance in the year and meets the requirements set out in section 6.

11 BACKGROUND PAPERS

11.1 Statement of Accounts 2017/18

12 APPENDICES

12.1 Appendix A - Treasury Management Annual Report

12.2 Appendix B - Link Commentary on 2017/18

12.3 Appendix C - Glossary

A Large Print or Braille Version of this Report is available upon request – Contact 01572 722577.

Appendix A.

TREASURY MANAGEMENT ANNUAL REPORT 2017-18

1 OVERVIEW OF STRATEGY

1.1 What is Treasury Management?

1.1.1 Treasury management is the term used to describe the way a Council manages the cash it needs to meet both its day-to-day running costs and borrowing for capital expenditure. The treasury management function for a Council will make the arrangements to borrow and invest money either over the short or the longer term in order to ensure that it has money available when it needs it.

1.1.2 CIPFA defines treasury management as"…the management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".

1.2 What framework or rules do we need to follow?

1.2.1 In making arrangements for treasury management, a Council is required to follow CIPFA's Treasury Management Code. The Code aims to help ensure that Councils manage the significant risks associated with the function while also ensuring the Council receives value for money.

1.2.2 The Council approved a Strategy in February 2017 (report 41/2017) which covered;

- borrowing strategy, including capital plans (including prudential indicators);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time); and
- the treasury management strategy (strategy guidelines for choosing and placing investments, the principles to be used to determine the maximum periods for which funds can be committed, what specified and non specified investments will be considered how the investments and borrowings are to be organised) including treasury indicators.

1.2.3 Councils need to prove that they are complying with the Prudential Code and this is done through a series of prudential indicators that are set locally and approved at the same time as the Council sets its budget for the following year.

2 TREASURY PERFORMANCE

2.1 How much did we have to invest during 2017/18?

2.1.1 The Council receives lots of income from council tax, business rates and central government. The majority of council tax and business rates payments are received between April and January, with expenditure being fairly static throughout the year.

2.1.2 At any point of time in the year, the Council had between £26m - £36m available to invest. The table below shows the level of investments held during the year, the average level of investments during the year was £32.373m.

2016/17 Actual £000	2017/18 Quarter 1 as at 30-Jun-17 £000	2017/18 Quarter 2 as at 30-Sep-17 £000	2017/18 Quarter 3 as at 31-Dec-17 £000	2017/18 Quarter 4 as at 31-Mar-18 £000
26,709	29,875	31,014	33,538	30,001

2.2 Did we achieve our investment objectives? Did we invest in line within approved rules?

2.2.1 Like us as individuals, the Council will invest surplus money in various ways to get a return on balances thus generating extra income. As per our overall objectives, we ensure that these surplus balances are managed in a way to maximise the income potential whilst having regard to security risk.

2.2.2 The Council's investment strategy primary objectives, in order of importance are:

- safeguarding the re-payment of the principal and interest of its investments on time – losing any funds like in the case of Icelandic banks would be very significant in this financial climate;

- adequate liquidity – the Council does not want to run short of money so it cannot pay its bills or does not have money available to make investments in capital expenditure;

- Maximising the investment return – this is clearly important but the Council does not want to maximise returns at the expense of the first two objectives.

2.2.3 All of the Council's investments during the financial year were made with approved institutions within the agreed limits contained within the Treasury Management Strategy 2017/18 (41/2017). These limits are:

- £5m for a maximum of 3 years for institutions within the upper limit of the credit ratings;
- £5m for a maximum of 364 days for institutions within the middle limit of credit ratings; other local authorities and Money Market Funds;
- £1m for a maximum of 6 months those institutions without a credit rating, normally certain Building Societies whose operation does not require a credit rating.

2.2.4 Following the principles set out in paragraph 2.2.2, the Council made investment returns as shown below.

	Original Estimate 2017/18 £000	**Revised Estimate 2017/18 Q2** £000	**Actuals 2017/18** £000
Investment Income	164	204	214
Other Interest Received *	16	16	18
Total	180	220	232

* The Council also receives interest from sources other than investments. A Housing Association has been recharged £12k for the principal and interest of loans that the Council has made to it, the final payment will be in 2051/52. In 2017/18 £6k was received from the sale of buses.

2.3 How did the Council investments perform?

2.3.1 The Code of Practice on Treasury Management requires the Council to set performance indicators to assess the adequacy of the treasury function over the year. An example of a performance indicator often used for the investment treasury function is internal returns above the 6 month LIBOR rate (the average interbank interest rate at which a selection of banks on the London money market are prepared to lend to one another). The Council monitored performance against the LIBOR rate during 2017/18 and the results are shown below.

	2016/17	**2017/18 (Q2)**	**2017/18 (Q4)**
RCC Returns (%)	0.75	0.66	0.66
LIBOR (%)	0.49	0.48	0.49

2.3.2 The increase in the Bank Rate on 2 November 2017 from 0.25% to 0.50% did not benefit on investment returns achieved in 2017/18, as the majority of the investments for 2017/18 were made before this increase and the balances held in Q4 were lower than during the rest of the year. The effect of the increase in interest rates will be more noticeable in 2018/19, when the interest received will increase. This can be evidenced by an investment of £2m placed on 29th March 2018 for 1 year at 1.205%, previously the interest rate was between 0.80% and 0.95%.

3 PRUDENTIAL (BORROWING AND DEBT) INDICATORS

3.1 Why do we borrow?

3.1.1 Council's borrow to fund capital expenditure or refinance/reschedule existing borrowings e.g. replace one loan with one at a lower rate.

3.1.2 Effectively, the Council works out its capital expenditure plans and then calculates how much it needs to borrow having considered whether it should fund capital expenditure using other options.

3.2 What was our Capital Expenditure and how did we fund it?

3.2.1 The Council's capital expenditure during 2017/18 was £4.199m. The outturn report (83/2018) contains detailed analysis of the capital programme and financing.

3.2.2 The £4.199m was financed as per the table below. The financing need represents an increase in borrowing requirements.

	2016/17 Actual*	**2017/18 Revised Estimate****	**2017/18 Actual*****
	£000	**£000**	**£000**
Capital Expenditure	**5,338**	**10,080**	**4,199**
Financed by:			
Capital Receipts/s106	274	438	341
Capital Grants & Contributions	3,950	9,040	3,858
Revenue	186	0	0
Net financing need for the year	**928**	**602**	**0**

* Audited Statement of Accounts 2016/17
** Revised Estimate per Mid-Year Treasury Report (189/2017)
*** Note 20 - Statement of Accounts 2017/18 (unaudited) and outturn report (83/2018).

3.3 What was the Council's borrowing need (the Capital Financing Requirement)?

3.3.1 Any unsupported borrowing in a given year is added to the Council's Capital Financing Requirement. There is no unsupported borrowing for 2017/18.

3.3.2 The Council's Capital Financing Requirement (CFR) is simply the total capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. The CFR is reduced every year as the Council incurs a 'borrowing charge' in the Revenue Account which reduces it (this is called Minimum Revenue Provision).

3.3.3 The Council's CFR for the year is shown below, and represents a key prudential indicator.

	2016/17 Actual* **£000**	**2017/18 Revised Estimate**** **£000**	**2017/18 Actual***** **£000**
CFR – 1 April	**22,724**	**22,756**	**22,756**
Movement in Year - CFR	32	(270)	(897)
CFR – 31 March	**22,756**	**22,486**	**21,859**
Movement in CFR Represented by			
Net financing need for the year (from table at para 3.2.2)	928	602	0
MRP	(896)	(872)	(897)
Voluntary Revenue Provision (VRP)	-	-	-
Movement in CFR	**32**	**(270)**	**(897)**

* Audited Statement of Accounts 2016/17
** Revised Estimate per Mid-Year Treasury Report (189/2017)
*** Note 20 - Statement of Accounts 2017/18 (unaudited) and outturn report (83/2018)

3.4 What is the current level of debt and how might it change?

3.4.1 The Council currently has loans outstanding of £22.436m of which £21.386m are long term loans with the Public Works Loans Board (PWLB). The remainder comprises a Salix Loan of £420k repayable in 2020 and a Local Enterprise Partnership loan (LEP) of £630k, which matures in 2023. The Salix and LEP loans are shown in the accounts at concessionary rates which increases year on year until the final year where the full value is recognised. Details of the outstanding loans can be found in the table in paragraph 3.4.3.

3.4.2 All PWLB loans have been borrowed on a maturity basis. Interest payments will be made every six months on equal instalments throughout the term of the loan, with the principal being repaid on the maturity date.

3.4.3 The overall debt position is monitored continuously and advice provided by Link Asset Services to identify opportunities for the repayment or restructuring of debt. No such opportunities were identified as cost effective in the year. Repayment of debt is subject to either a premium or dividend equating to the difference in interest payable for the remainder of the term of the loan and that which could be earned by the lender on a new loan for the same period. The debt position at the 31 March 2018 compared to the previous year is shown in the following table:

	31 March 2017		**31 March 2018**	
	Principal	**Average rate**	**Principal**	**Average rate**
Long Term Debt Public Works Loan Board (all fixed rate debt)	£21.386m	4.83%	£21.386m	4.83%
Local Enterprise Partnership (LEP)	£0.560m*	0.00%	£0.572m*	0.00%
Salix Loan	£0.399m*	0.00%	£0.361m*	0.00%
Total long term debt (all fixed rate debt)	£22.345m		£22.319m	
Operational Boundary	£23.000m		£23.000m	
Capital Financing Requirement	£22.756m		£21.858m	
Over/(under) borrowing	(£0.411m)		(£0.461m)	
Total investments	(£26.709m)	0.75%	(£30.001m)	0.66%
Net borrowing position	**(£4.364m)**		**(£7.682m)**	

* The Council has not increased its LEP loan but the actual loan (£630k over 10 years) is shown in the accounts at a concessionary rate which increases year on year until the final year where the full value is recognised. The Salix (£420k over 5 Years) is also shown in the accounts at a concessionary rate until the final year where the full value is recognised, this loan is repaid in instalments and not on maturity.

3.5 What borrowing limits did we set and how did we comply?

3.5.1 The Council cannot simply borrow indefinitely. There are a number of prudential indicators to ensure the Council operates its activities within well-defined limits. The indicators focus on two key aspects:

- Setting limits to control borrowing; and
- Assessing the affordability of the capital investment plans.

3.5.2 In addition, we also set limits on interest rate exposure.

3.5.3 <u>**Controlling borrowing prudential indicators**</u>

3.5.4 The Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2017/18 and the following two financial years. This indicator is important as it effectively measures whether your actual external debt exceeds your need to borrow. If it does, then it could suggest that Councils have been borrowing when they do not need to do so or for inappropriate purposes. It could also mean that the Council has made a reduction to its CFR by undertaking VRP. This is the case for the Council, with additional VRP's being made in 2013/14 for £1.414m and 2015/16 £0.597m.

3.5.5 The table below shows that the Council has complied with this indicator for 2017/18.

	2017/18 Actual £000	2018/19 Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000
Gross Debt	22,436	27,310	27,226	27,142
Capital Financing Requirement (CFR)	21,858	33,011	32,382	31,753
Under / (Over) borrowing	(578)	5,701	5,156	4,611

3.5.6 In 2017/18, the Council was in an "overborrowed" position, which can be explained as follows:

- The position did not materialise from borrowing for revenue purposes, which this indicator is a key test of. Since 2008 when the Council borrowed £4m PWLB for the by-pass, the Council has taken only two loans i) an interest free loan from the Local Enterprise Partnership to contribute to the purchase and renovation of Oakham Enterprise Park (£630k); and ii) a Salix loan at 0% for Street Lighting upgrades (£420k). This borrowing is for capital purposes and not to fund revenue.

- The Council has also made voluntary contributions to reduce its CFR as a means of reducing the capital financing charge on the revenue account. In 2013/14 the application of unused Capital Receipts was used to reduce the CFR by £1.4m and in 2015/16 to repay the advance borrowing in relation to Adult Soccer a reduction of £597k. If the Council had not done this, the CFR would be £2m higher and the revenue account would receive a higher capital financing charge.

3.5.7 Ideally, to reduce interest costs, the Council would have preferred to use capital receipts etc to repay external debt. However, there has not been a viable business case to do so. The Council would have to pay a premium to repay early, which would cost the Council in the long term more than repaying in line with the current loan on maturity.

3.5.8 A further key prudential indicator represents a control on the maximum level of borrowing. The Council approved the Authorised Limit of £28m. This represents a limit beyond which external borrowing is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term

3.5.9 The table in paragraph 3.4.3 shows that Council did not breach this limit for 2017/18.

3.5.10 An additional indicator is the Operational Boundary – this is the maximum amount of money a Council expects to borrow during the year. This is lower than the Authorised Limit and acts as a useful warning sign if it is breached during the year, which could mean that underlying spending may be higher or income lower than budgeted. The Council approved an Operational Boundary of £23m within the 2017/18 Treasury Strategy. The table in paragraph 3.4.3 shows that Council did not breach this limit for 2017/18.

3.5.11 **Affordability Prudential Indicators**

3.5.12 The previous section covered the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances.

3.5.13 One of the key affordability indicators is the ratio of financing costs to net revenue stream. This indicator helps a Council identify if borrowing costs become too high as a proportion of its budget. This is important as borrowing costs always have to be paid and are very hard to cut if resources fall.

	Budgeted £000	Actual £000	
Capital Financing Costs	1,930	1,930	
Interest Receivable	(0,180)	(0,232)	
	1,750	1,698	A
Revenue Stream			
Government Grants	6,053	5,916	
Retained Business Rates	4,956	5,355	
Council Tax	23,242	23,242	
	34,251	34,513	B
Ratio (A divided by B as a percentage)	5.11%	4.92%	

3.5.14 The table above shows that the Council complied with this indicator. The net financing costs (A) were lower than budgeted, due to the additional interest earned on investments and the Revenue Stream (B) being higher due to additional income from retained business rates.

Appendix B. Link Asset Services Commentary on The Economy and Interest Rates

1. The outcome of the EU referendum in June 2016 resulted in a gloomy outlook and economic forecasts from the Bank of England based around an expectation of a major slowdown in UK GDP growth, particularly during the second half of 2016, which was expected to push back the first increase in Bank Rate for at least three years. Consequently, the Bank responded in August 2016 by cutting Bank Rate by 0.25% to 0.25% and making available over £100bn of cheap financing to the banking sector up to February 2018. Both measures were intended to stimulate growth in the economy. This gloom was overdone as the UK economy turned in a G7 leading growth rate of 1.8% in 2016, (actually joint equal with Germany), and followed it up with another 1.8% in 2017, (although this was a comparatively weak result compared to the US and EZ).

During the calendar year of 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; quarter 1 came in at +0.3% (+1.7% y/y) and quarter 2 was +0.3% (+1.5% y/y), which meant that growth in the first half of 2017 was the slowest for the first half of any year since 2012.

During the autumn market expectations rose significantly that the MPC would be heading in the direction of imminently raising Bank Rate. The MPC meeting of 14 September provided a shock to the markets with a sharp increase in tone in the minutes where the MPC considerably hardened their wording in terms of needing to raise Bank Rate very soon. The 2 November MPC quarterly Inflation Report meeting duly delivered on this warning by withdrawing the 0.25% emergency rate cut which had been implemented in August 2016. Market debate then moved on as to whether this would be a one and done move for maybe a year or more by the MPC, or the first of a series of increases in Bank Rate over the next 2-3 years. The MPC minutes from that meeting were viewed as being dovish, i.e. there was now little pressure to raise rates by much over that time period. In particular, the GDP growth forecasts were pessimistically weak while there was little evidence of building pressure on wage increases despite remarkably low unemployment. The MPC forecast that CPI would peak at about 3.1% and chose to look through that breaching of its 2% target as this was a one off result of the devaluation of sterling caused by the result of the EU referendum. The inflation forecast showed that the MPC expected inflation to come down to near the 2% target over the two to three year time horizon. So this all seemed to add up to cooling expectations of much further action to raise Bank Rate over the next two years.

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. However, sterling did suffer a sharp devaluation against most other currencies, although it has recovered about half of that fall since then. Brexit negotiations have been a focus of much attention and concern during the year but so far, there has been little significant hold up to making progress.

2. **EU.** Economic growth in the EU, (the UK's biggest trading partner), was lack lustre for several years after the financial crisis despite the ECB eventually cutting its main rate to -0.4% and embarking on a massive programme of quantitative easing to stimulate growth. However, growth eventually picked up in 2016 and subsequently gathered further momentum to produce an overall GDP figure for 2017 of 2.3%. Nevertheless, despite providing this massive monetary stimulus, the ECB is still struggling to get inflation up to its 2% target and in March, inflation was still only 1.4%. It is, therefore, unlikely to start an upswing in rates until possibly towards the end of 2019.

3. **USA.** Growth in the American economy was volatile in 2015 and 2016. 2017 followed that path again with quarter 1 at 1.2%, quarter 2 3.1%, quarter 3 3.2% and quarter 4 2.9%. The annual rate of GDP growth for 2017 was 2.3%, up from 1.6% in 2016. Unemployment in the US also fell to the lowest level for 17 years, reaching 4.1% in October to February, while wage inflation pressures, and inflationary pressures in general, have been building. The Fed has been the first major western central bank to start on an upswing in rates with six increases since the first one in December 2015 to lift the central rate to 1.50 – 1.75% in March 2018. There could be a further two or three increases in 2018 as the Fed faces a challenging situation with GDP growth trending upwards at a time when the recent Trump fiscal stimulus is likely to increase growth further, consequently increasing inflationary pressures in an economy which is already operating at near full capacity. In October 2017, the Fed also became the first major western central bank to make a start on unwinding quantitative easing by phasing in a gradual reduction in reinvesting maturing debt.

4. **China.** Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus and medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

5. **Japan.** GDP growth has been improving to reach an annual figure of 2.1% in quarter 4 of 2017. However, it is still struggling to get inflation up to its target rate of 2% despite huge monetary and fiscal stimulus, although inflation has risen in 2018 to reach 1.5% in February. It is also making little progress on fundamental reform of the economy.

Appendix C. Treasury Management Glossary of Terms

Authorised Limit (Also known as the Affordable Limit):
A statutory limit that sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) for the Council. It is measured on a daily basis against all external borrowing items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities).
Balances and Reserves:
Accumulated sums that are maintained either earmarked for specific future costs or commitments or generally held to meet unforeseen or emergency expenditure.
Bank Rate:
The official interest rate set by the Bank of England's Monetary Policy Committee and what is generally termed at the "base rate". This rate is also referred to as the 'repo rate'.
Basis Point:
A unit of measure used in finance to describe the percentage change in the value or rate of a financial instrument. One basis point is equivalent to 0.01% (1/100th of a percent). In most cases, it refers to changes in interest rates and bond yields. For example, if interest rates rise by 25 basis points, it means that rates have risen by 0.25% percentage points. If rates were at 2.50%, and rose by 0.25%, or 25 basis points, the new interest rate would be 2.75%.
Bond:
A certificate of debt issued by a company, government, or other institution. The bond holder receives interest at a rate stated at the time of issue of the bond. The price of a bond may vary during its life.
Capital Expenditure:
Expenditure on the acquisition, creation or enhancement of capital assets.
Capital Financing Requirement (CFR):
The Council's underlying need to borrow for capital purposes representing the cumulative capital expenditure of the local authority that has not been financed.
Capital Receipts:
Money obtained on the sale of a capital asset.
Credit Rating:
Formal opinion by a registered rating agency of a counterparty's future ability to meet its financial liabilities; these are opinions only and not guarantees.
Counterparty List:
List of approved financial institutions with which the Council can place investments with.
Debt Management Office (DMO):
The DMO is an Executive Agency of Her Majesty's Treasury and provides direct access for local authorities into a government deposit facility known as the DMADF. All deposits are guaranteed by HM Government and therefore have the

equivalent of a sovereign triple-A credit rating.
Gilts: Gilts are bonds issued by the UK Government. They take their name from 'gilt-edged'. Being issued by the UK government, they are deemed to be very secure as the investor expects to receive the full face value of the bond to be repaid on maturity.
LIBID: The London Interbank Bid Rate (LIBID) is the rate bid by banks on Eurocurrency deposits (i.e. the rate at which a bank is willing to borrow from other banks).
LIBOR: The London Interbank Offered Rate (LIBOR) is the rate of interest that banks charge to lend money to each other. The British Bankers' Association (BBA) work with a small group of large banks to set the LIBOR rate each day. The wholesale markets allow banks who need money to be more fluid in the marketplace to borrow from those with surplus amounts. The banks with surplus amounts of money are keen to lend so that they can generate interest which it would not otherwise receive.
Maturity: The date when an investment or borrowing is repaid.
Money Market Funds (MMF): Pooled funds which invest in a range of short term assets providing high credit quality and high liquidity.
Minimum Revenue Provision (MRP): An annual provision that the Council is statutorily required to set aside and charge to the Revenue Account for the repayment of debt associated with expenditure incurred on capital assets.
Voluntary Revenue Provision (VRP): An additional contribution over and above the MRP that the Council can choose to make to reduce the CFR which in turn will reduce the MRP for future years.
Non Specified Investment: Investments which fall outside the CLG Guidance for Specified investments (below).
Operational Boundary: This linked directly to the Council's estimates of the CFR and estimates of other day to day cash flow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.
Prudential Code: Developed by CIPFA and introduced on 01/4/2004 as a professional code of practice to support local authority capital investment planning within a clear, affordable, prudent and sustainable framework and in accordance with good professional practice.

Prudential Indicators:

Prudential indicators are a set of financial indicators and limits that are calculated in order to demonstrate that Councils' capital investment plans are affordable, prudent and sustainable.

They are outlined in the CIPFA Prudential Code of Practice. They are indicators that must be used to cover the categories of affordability, prudence, capital spending, external debt/borrowing and treasury management. They take the form of limits, ratios or targets which are approved by Council before 1 April each year and are monitored throughout the year on an on-going basis. A Council may also choose to use additional voluntary indicators.

Public Works Loans Board (PWLB):

The PWLB is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. The PWLB's function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.

Revenue Expenditure:

Expenditure to meet the continuing cost of delivery of services including salaries and wages, the purchase of materials and capital financing charges.

(Short) Term Deposits:

Deposits of cash with terms attached relating to maturity and rate of return (Interest).

Specified Investments:

Term used in the CLG Guidance and Welsh Assembly Guidance for Local Authority Investments. Investments that offer high security and high liquidity, in sterling and for no more than one year. UK government, local authorities and bodies that have a high credit rating.

Supported Borrowing:

Borrowing for which the costs are supported by the government or third party.

Temporary Borrowing:

Borrowing to cover peaks and troughs of cash flow, not to fund capital spending.

Unsupported Borrowing:

Borrowing which is self-financed by the local authority. This is also sometimes referred to as Prudential Borrowing.

Yield:

The measure of the return on an investment.