London Borough of Waltham Forest

2023/24 Mid-Year Treasury Management Review

1. Background

1.1 Capital Strategy

In 2021, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. Local authorities are required to prepare a Capital Strategy which is to provide the following: -

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services.
- an overview of how the associated risk is managed.
- the implications for future financial sustainability.

This report has been written in accordance with the requirements of the CIPFA TM Code.

1.2 Treasury management

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low-risk counterparties, providing adequate liquidity initially before considering optimising investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer-term cash may involve arranging long or short-term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

Accordingly, treasury management is defined as:

> "The management of the local authority's borrowing, investments and cash flows, including 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."

2. Introduction

This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2021).

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the way the Council will seek to achieve those policies and objectives.
3. Receipt by the full council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report, (stewardship report), covering activities during the previous year.

4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is Audit and Governance Committee

This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the first part of the 2023/24.
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy.
- The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators.
- A review of the Council's investment portfolio for as at 30th September 2023.
- A review of the Council's borrowing strategy for 2023/24.
- A review of compliance with Treasury and Prudential Limits for 2023/24.

3. Treasury Management Summary as at 30th September 2023.

Investments Activity

The Council's investments on the 30th September 2023 was £89.8m as below.

Investments	Balance at 01.04.2023 £m	Movement £m	Balance at 30.9.2023 £m	Ave Rates/ Return %
UK Banks	10.0	10.0	20.0	5.17
Building Societies	12.0	5.0	17.0	4.52
Local Authorities	15.0	20.0	35.0	4.37
Call Account	5.6	(2.4)	3.2	4.75
Money Market Fund	17.2	(2.6)	14.6	5.26
Total Investments	**59.8**	**30.0**	**89.8**	**4.81**

Breakdown of investments – see appendix F.

No investment was made for more than 364 days. The Treasury team are considering other investment options to diversify investment risks e.g. certificate of deposits.

The Council resources that are not immediately required for current expenditure are invested in UK banks, local authorities and building societies in accordance with guidance issued by the former MHCLG on Local Authority Investments and the approved investment strategy.

The MHCLG are now known as the Department for Levelling Up, Housing and Communities (DLUHC). The guidance gives priority to security and liquidity and the council's aim is to achieve a yield commensurate with these principles.

The Council uses the Money Market Funds and Call account to manage the day-to day cashflow requirements.

The treasury management portfolio performance, the council measures the return against a composite investment benchmark of SONIA (Sterling Overnight Interbank Average rate). The treasury management investments are, in order of priority security, liquidity, and yield. The objective therefore is to ensure that funds are available to meet council liabilities as they fall due. The rate of investment return generated by the treasury management portfolio is therefore a consequence of the council's prudent, low risk approach to treasury management investing. This is in line with the requirements of the statutory guidance for local government treasury investment issued by MHCLG (now known as DLUHC). The investment activity during the period conformed to the approved strategy and the cash flow was successfully managed to maintain liquidity.

Borrowing Position

The Council's borrowing position as at 30th September 2023 are £388.1m below:

Loans	Balance as at 01.4.2023 £m	Raised £m	Repaid £m	Balance as at 30.9.2023 £m	Rate/Return %
PWLB	332.8		(0.1)	332.7	3.79
Market Loan	45.4		(0.2)	45.2	3.39
Temp Loans	37.0		(27.0)	10.0	4.72
Salix loan	0.2			0.2	0.00
Total Loans	**415.4**	**0.0**	**(27.3)**	**388.1**	**3.90**

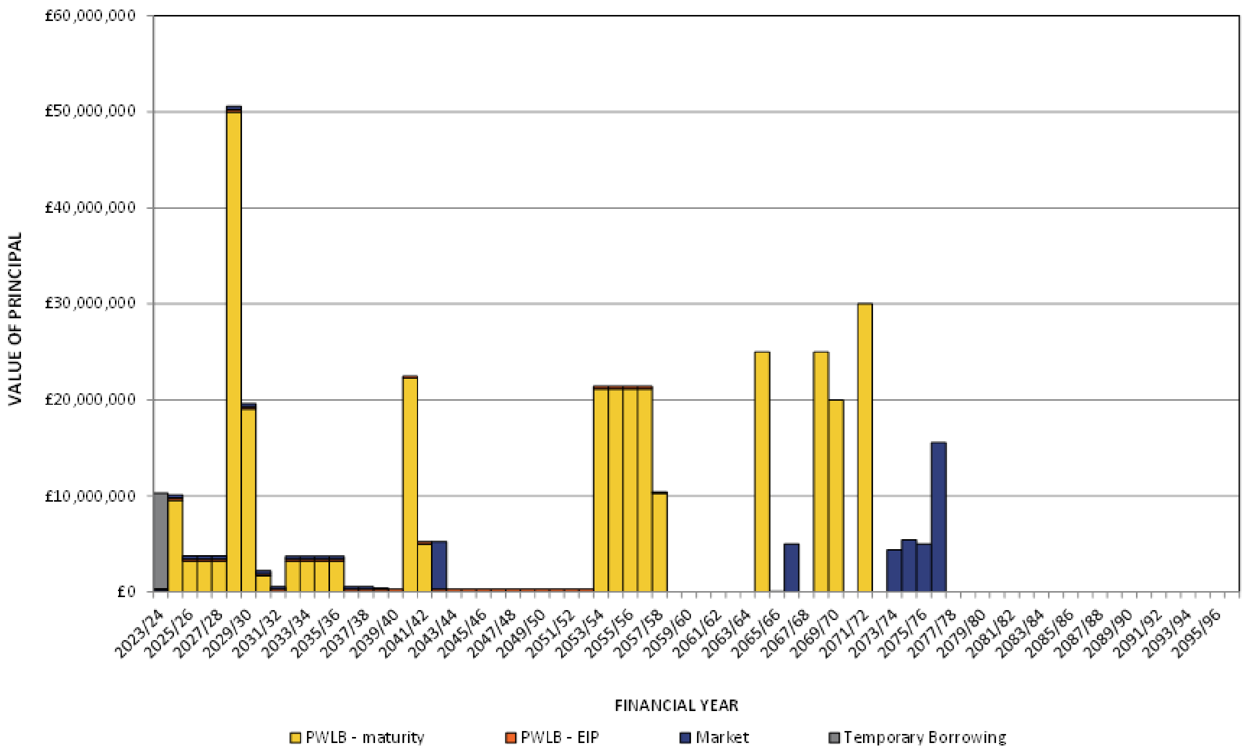
During the first half of the year to 30th September 2023, no long-term borrowing was undertaken.

The Council's capital financing requirement (CFR) for 2022/23 is £588m. The CFR denotes the Council's underlying need to borrow for capital purposes. The council can borrow up to the CFR from PWLB or Financial Market.

The capital programme is being kept under regular review because of inflationary pressures, shortages of materials and labour. Our borrowing strategy will, therefore, also be regularly reviewed and then revised, if necessary, to achieve optimum value and risk exposure in the long-term.

For new borrowing affordability and the “cost of carry” remained important influences on the Authority’s borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing. Link (the Council Treasury Advisers) latest interest rate forecast (25th September 2023) expects Bank of England Base rate to peak at 5.25% and the rate will begin to reduce from September 2024.

Current Maturity Profile



3.2 Debt Rescheduling

The possibility of debt rescheduling opportunities are kept under review by the Council. This is a regular agenda item at the quarterly treasury meeting held between the treasury officers, LAS, the Strategic Director of Resources (S151 officer) and the lead Member for Financial Management.

4. Treasury Management Strategy Statement and Annual Investment Strategy Update

The Treasury Management Strategy Statement, (TMSS), for 2023/24 was approved by this Council on 2nd March 2023.

- There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

Prudential Indicator 2023/24	Original £m	Revised Prudential Indicator £m
Authorised Limit	677.4	677.4
Operational Boundary	615.8	615.8
Capital Financing Requirement	615.8	615.8

5. The Council's Capital Position (Prudential Indicators)

This part of the report is structured to update:

- The Council's capital expenditure plans.
- How these plans are being financed.
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

5.1 Prudential Indicator for Capital Expenditure

This table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget.

Capital Expenditure by Service	2023/24 Original Estimate £m	Current Position as 30 sept 2023 £m	2023/24 Revised Estimate £m
Education	13.8	4.9	13.8
Social Services	0.2	0	0.2
HRA	51.4	18.4	51.4
Other	79.4	17	85.7
Total capital expenditure	144.8	40.3	151.1

5.2 Changes to the Financing of the Capital Programme

The table below draws together the main strategy elements of the capital expenditure plans (above), highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Capital Expenditure	2023/24 Original Estimate £m	2023/24 Revised Estimate £m
Total capital expenditure		
Financed by:		
Capital receipts	8.9	8.9
Capital grants	33.0	38.6
Capital reserves	12.9	12.9
Revenue	2.7	2.7
Total financing	57.6	63.1
Borrowing requirement	87.1	87.9

5.3 Changes to the Prudential Indicators for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary

The table below shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period, which is termed the Operational Boundary.

Prudential Indicator – Capital Financing Requirement

Prudential Indicator – the Operational Boundary for external debt

	2022/23 Actual £m	**2023/24 Original Estimate £m**	**Current Position 30 sept 2023 £m**	**2023/24 Revised Estimate £m**
Prudential Indicator – Capital Financing Requirement				
CFR – non housing	375.4	374.2	360.8	374.2
CFR – housing	212.2	241.6	223.9	241.6
Total CFR	**587.6**	**615.8**	**584.7**	**615.8**
Net movement in CFR				
Prudential Indicator – the Operational Boundary for external debt				
Borrowing	415.4	577.1	388.1	577.1
Other long term liabilities*	38.7	38.7	35.0	38.7
Total debt (year end position)	**454.1**	**615.8**	**423.1**	**615.8**

Economics and interest rates Appendix A

Economics update

In something of a dovish surprise, the Bank of England's MPC kept Bank Rate unchanged at its September meeting, breaking a run of fourteen consecutive increases. As noted in the accompanying minutes, the vote was "finely balanced" with five in favour of no change, while four members voted to increase by 25bps. In terms of the decision, Governor Bailey, in post-meeting interview with broadcasters, said that it was due to "...very good news on the inflation front". The minutes themselves were little changed from those of August, repeating that rates will stay "sufficiently restrictive for sufficiently long" and that "...if there were to be evidence of more persistent pressures, then further tightening in monetary policy would be required." The aim here is to try to ensure that looser financial conditions do not materialise, which would have the potential to undo much of the work done by the Bank on tightening conditions. Further, Governor Bailey also stressed in his interview that while the MPC has paused, it was not inevitable that a cut would soon follow, stressing that "we have not had any discussion on the Monetary Policy Committee about reducing rates because that would be very, very premature". The minutes did suggest that the Committee expects services inflation to be volatile over the next few months, while it also seemed to play down the impact of the recent surge in pay growth, saying that the headline measure appeared inconsistent with other wage metrics. This may indicate that the Committee now has greater tolerance to data surprises, which could add to expectations that rates have peaked. Looking ahead, there is only one set of inflation and jobs releases due before the next meeting in early November, when the Bank of England will also release updated economic and inflation forecasts. In reaction to the decision, markets had initially eased their own expectations to show no further policy tightening. However, in more recent sessions, pricing has increasingly bounced off these lows leaving the peak (currently March next year) only just short of predicting a further hike. Further out, the subsequent easing in expectations is now even more modest and is not pricing in a future cut through to September next year. The table below includes Link's and Capital Economics' forecast, with both now having been revised in light of the September MPC decision. On the investment front, the decision to pause had added further downside pressure on longer-term market rates but as with wider market expectations, some of these will have nudged higher during recent sessions. These movements continue to be fully reflected in our ATS facility, which offers a range of potential deposit options, including Standard Chartered's Sustainable Deposit range, and the option to make deposits with both Lloyds Bank Corporate Markets and NatWest Markets as well as a range of other UK and overseas' entities.

Gilt yields picked up the government bond baton of responding to market concerns over "higher for longer" monetary policy on Thursday, with yields rising sharply across the maturity spectrum. By the close, some of the intra-day levels had been tempered, but short-term yields were still up between 6-12bps, with maturities further along the spectrum up over 10bps as investors increasingly priced in the prospect of one more rate hike in this cycle, while also dialling back on expectations for when monetary policy could be eased in the future.

Interest rate forecasts

The Council's treasury adviser, Link Asset Services, has provided the following forecast:

The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1 November 2012. Please note, the lower Housing Revenue Account (HRA) PWLB rate started on the 15 June 2023 for those authorities with an HRA (standard rate minus 60 bps).

Link Group Interest Rate View	25.09.23												
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
BANK RATE	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.00	2.75	2.75	2.75	2.75	2.75
3 month ave earnings	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.00	2.80	2.80	2.80	2.80	2.80
6 month ave earnings	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.10	2.90	2.90	2.90	2.90	2.90
12 month ave earnings	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.20	3.00	3.00	3.00	3.00	3.00
5 yr PWLB	5.10	5.00	4.90	4.70	4.40	4.20	4.00	3.90	3.70	3.70	3.60	3.60	3.50
10 yr PWLB	5.00	4.90	4.80	4.60	4.40	4.20	4.00	3.80	3.70	3.60	3.60	3.50	3.50
25 yr PWLB	5.40	5.20	5.10	4.90	4.70	4.40	4.30	4.10	4.00	3.90	3.80	3.80	3.80
50 yr PWLB	5.20	5.00	4.90	4.70	4.50	4.20	4.10	3.90	3.80	3.70	3.60	3.60	3.60

Compliance Report Appendix B

The Treasury and Prudential indicators.

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved 2023/24 Treasury and Prudential Indicators (affordability limits) were included and approved by Full Council as part of the TMSS on 2nd March 2023.
During the half year, the Council has operated within the treasury limits and Prudential Indicators set out in the Council's TMSS and in compliance with the Council's Treasury Management Practices. An update on indicators and limits are reported below.

Interest Rate Exposures:

This indicator is set to control the Council's exposure to interest rate risk on its debt portfolio. The upper limits on fixed and variable rate interest rate exposure, expressed as the proportion of gross principal borrowed as below:

	2023/24 Upper	2024/25 Upper	2025/26 Upper
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	25%	25%	25%

Fixed rate borrowings are those borrowings where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

Maturity Structure of Borrowing
This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

30-Sep-23 %	Actual maturity	Upper Limit %	Lower Limit %
0.10	Under 12 months	75	0
2.80	1 to 2 years	25	0
3.10	3 to 5 years	25	0
21.10	6 to 10 years	25	0
72.90	more than 10 years	75	0

Currently the Council is temporary borrowing whilst rates remain substantially below long-term interest rates.

Principal Sums invested for Period Longer than 365 days:

The purpose of this indicator is to control the authority's exposure to the risk of incurring losses by seeking early repayment of its investments.

The limits set in the 2023/24 treasury management strategy in comparison to the half year are set below.

	2023/24 Actual £000s	2024/25 Actual £000s	2025/26 Actual £000s
Upper limit for principal sums invested for more than 365 days	£70m or 50% of the outstanding balances		

Gross Debts and the Capital Financing Requirement (CFR)

2021/22 Actual £000s		2022/23 Forecast £000s	2023/24 Estimates £000s	2024/25 Estimates £000s	2025/26 Estimates £000s	2026/27 Estimates £000s	2027/28 Estimates £000s
423,395	Gross Projected Debt	541,443	607,162	593,050	610,023	613,146	621,858
544,912	Capital Financing Requirement	610,539	615,889	642,627	615,961	624,496	635,644
121,517	Under/(Over) borrowing	69,096	8,727	49,577	5,938	11,350	13,786

2021/22 Actual £000s		2022/23 Forecast £000s	2023/24 Estimate £000s	2024/25 Estimate £000s	2025/26 Estimate £000s	2026/27 Estimate £000s	2027/28 Estimate £000s
	CFR as at 31 March						
332,656	General Fund	387,404	374,216	377,349	337,150	326,815	318,990
212,256	HRA	223,136	241,674	265,279	278,811	297,682	316,655
544,912		**610,539**	**615,889**	**642,627**	**615,961**	**624,496**	**635,644**

The prudential indicator ensures that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose*. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2023/24 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

The Strategic Director of Resources (S151 Officer) reports that no difficulties are envisaged for the current or future years in complying with this prudential indicator.

Overall Borrowing Limits

2021/22 Actual £000s		2022/23 Forecast £000s	2023/24 Estimates £000s	2024/25 Estimates £000s	2025/26 Estimates £000s	2026/27 Estimates £000s	2027/28 Estimates £000s
	Authorised Limit :						
599,403	Borrowing	671,593	677,478	706,890	677,557	686,946	699,208
	Operational Boundary:						
544,912	Borrowing	610,539	615,889	642,627	615,961	624,496	635,644

The Authorised Limit which represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Investment Portfolio 2023/24 Appendix C

In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. It is a very difficult the investment market in terms of earning the level of interest rates commonly seen in previous decades as rates were very low. These historic investments which are maturing with the low interest rate has now been replaced with high interest rate investment as the base rate hikes to 5.25%.

Investment Counterparty criteria
The primary principle governing the Council's criteria is the security of its investments, although the yield or return on the investment is also a key consideration.

SPECIFIED INVESTMENTS: All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum 'high' quality criteria where applicable.

	Minimum credit criteria / colour band	Max % of total investments/ £ limit per institution	Max. maturity period
Specified Investments			
DMADF – UK Government	N/A	**100%**	6 months*
Money market funds: CNAV and VNVAV	AAA	100%	Daily Liquidity
Local authorities	N/A	100%	3 years
Barclays Bank plc (the Council's bankers)		£20m £5m	Overnight deposits ** Up to 12 months
Term deposits with banks and rated building societies	Yellow Purple Blue Orange Red Green		Up to 3 years Up to 3 years Up to 3 years Up to I year Up to 6 Months Up to 3 months
Current and Ex - Government Supported banks	Green	50%	Up to 1 year

DMO – is the maximum period offered by the Debt Management Office of H.M. Treasury
** Over £20 million with the explicit agreement of the Strategic Director of Resources (S151 Officer).

NON-SPECIFIED INVESTMENTS: These are any investments that do not meet the specified investment criteria.
A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made, it will fall into one of the above categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

	Minimum Credit criteria / colour band	investments/ £ limit per institution	Max. maturity period
Non- Specified Investments			
Term deposits with unrated Building Societies	Assets over £1.0bn	25%	12 mths
UK Banks - Natwest, Santander, Lloyds, HSBC, Barclays and RBS	N/A	£70m or 50% of total investments	1-3 years
Pooled Vehicles: Enhanced Money Market Funds: UK Government and Government Guaranteed Securities Pooled Property Funds Short- Term Investment - graded sterling denominated instruments	N/A	£10m	4 years
UK Treasury Bills, Certificate of Deposits and T-Bills	Yellow Purple blue Orange Red Green No Colour		Up to 3 years Up to 2 years Up to 1 year up to 6 months up to 6 months up to 3 months Not for use
Corporate Bond including Floating Rate Notes(FRNs)	Minimum credit rating: BBB		3 years

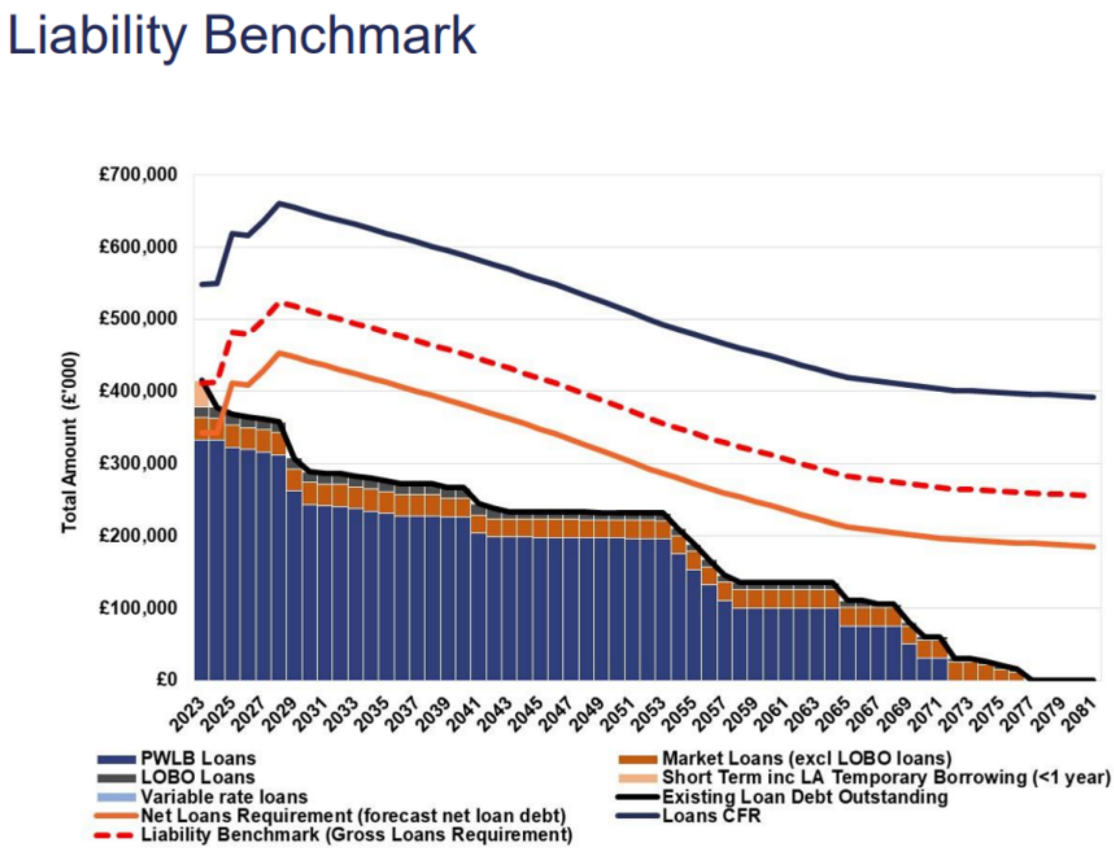
Approved Countries for Investments

Lowest available rating	Approved Country
AAA	Australia Denmark Germany Luxembourg Netherlands Norway Singapore Sweden Switzerland
AA+	Canada Finland U.S.A.
AA	Abu Dhabi (UAE) France
AA-	Belgium Hong Kong Qatar United Kingdom

The CFR, Liability Benchmark and Borrowing

Treasury Management Prudential indicator from 2023/24.

The CFR, debt liability benchmark and borrowing can be shown in total or split between General fund and HRA as required.



The chart covering 4 keys areas.

- Existing loan debts – Current borrowing portfolio split by loan type.
- Loan CFR – CFR adjusted for other long-term liabilities.
- Net loans requirement – Loan debt less treasury management investments at last financial year end and projected into the future.
- Liability Benchmark – Net loans requirement plus short-term liquidity allowance.

In any year where actual loans are less than the benchmark indicates a future borrowing requirement.

Where the actual loans outstanding exceed the benchmark represent an overborrowed position, which will result in excess cash requiring investment (unless any currently unknown future borrowing plans increase the benchmark loan debt requirement). The treasury strategy should explain how the treasury risks inherent in these mismatched positions will be managed.

Regulatory changes Appendix E

Consultation on Local Government capital risk mitigation measures in the Levelling Up and Regeneration Bill: capital risk metrics" (this includes 4 measures of capital risk) in England only technical release date 11th September 2023 and consultation closing date 21st September 2023.

Proposed changes to Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 effective date: 1st April 2024.

- In May 2022, the government introduced The Levelling Up and Regeneration Bill (the LUR Bill), which expanded the government's statutory powers to directly tackle excessive risk within the local government capital finance system. The LUR Bill seeks to safeguard the Framework and its principle of local decision making and accountability, by providing the means to address directly instances of problematic practices rather than using systemic reform that affects all authorities. Authorities operating without taking excessive risk will be unaffected. The aim is to reduce the risk to the overall system.
- The proposed measures provide a flexible range of interventions for the government to investigate and take action in extreme circumstances and provide government with the flexibility to intercede where it is appropriate to do so based on the government's assessment of risk. A Local Authority (LA) comes into scope of the new powers where a 'trigger point' is breached with respect to risk metrics as set out in the LUR Bill. The ability to use the powers is triggered once authorities have breached one of the four measures of capital risk ("risk metrics") or where there are indications of financial failure through the issuance of a Section 114 notice, or where government support is required to avoid the need for a section 114 notice.
- It is important to recognise that where a LA comes within scope of the powers, the government will have a power but not a duty to take action. Action will be taken only where it is determined appropriate to do so. In determining risk, the government recognises that there is no one-sizefits-all approach, and the individual circumstances of each local authority must be taken into account. The method used for the calculation of each metric is to be included in the regulations, to reflect the fact that the specific risks will change and evolve, and to be able to adapt as needed.

There are four risk metrics

1. The total of a Local authority's debts (including credit arrangements) compared to the financial resources at the disposal of the authority.
2. The proportion of the total of a local authority's capital assets which is investments made, or held, wholly or mainly to generate financial return.
3. The proportion of the total of a Local authority's debts (including credit arrangements) in relation to whom the counterparty is not central government or l local authority.
4. The amount of minimum revenue provision charged by a local authority to a revenue account for a financial year.

Consultation on CIPFA/LASAAC 2024-25 Code of Practice- The 2024/25 code will be applied on or after 1st April 2024. The deadline for responses is on the 17th October 2023.

The code is divided into four sections.

- Mandatory Implementation of IFRS16 – changes to the accounting standard.
- IFRS 17 – Insurance Contract

- CIPFA LASAAC's Strategic plan – Better reporting group, Overview of performance and summary financial information, review of the structure and format of the code, Sustainability reporting.
- Other financial reporting or emerging issues- audit and accounting, fair value of gain and losses on pooled investments, Dedicated School grants.

Breakdown of Investments

Appendix F

Institution Type	1st April 2023 Actual £'m	30th September 2023 Actual £'m
UK Banks		
Goldman Sachs INT'L Bank		5.0
Lloyds Bank PLC		5.0
Santander UK PLC	5.0	5.0
Natwest	5.0	5.0
Barclays - Investment account	5.6	3.3
Building Societies		
Principality	5.0	5.0
Newcastle	5.0	5.0
National Counties	2.0	2.0
West Bromwich		5.0
Local Authorities & Other Public Sector		
Worcestershire County Council	5.0	
LB Haringey	5.0	5.0
Liverpool City Council	5.0	5.0
North Lanarkshire Council		5.0
Kirklees Metro Borough Council		5.0
Windsor		5.0
Surrey		5.0
Birmingham		5.0
Money Market Funds		
Goldman Sachs		
Morgan Stanley		
Aberdeen	3.9	
JP Morgan		
CCLA	5.0	
Aviva	5.0	5.0
Federated Invesco		4.5
Federated Prime	3.3	5.0
Total investments	**59.8**	**89.8**

Glossary of Terms **APPENDIX G**

A bond is a debt instrument in which an investor lends money for a specified period of time at a fixed rate of interest. The issuing entity could be corporate, financial or government.

A floating rate note (FRN) is a money market instrument with a Floating/variable rate of interest, which re-fixes over a reference rate, for example 3 month LIBOR.

Bail in is rescuing a financial institution on the brink of failure by making its creditors and depositors take a loss on their holdings. A **bail**-in is the opposite of a **bail**-out, which involves the rescue of a financial institution by external parties, typically governments using taxpayer's money.

Certificates of deposit (CDs) are a negotiable form of fixed deposit, ranked pari passu with fixed deposits. The difference is that you are not obligated to hold the CD to maturity, you can realise the cash by selling in the secondary market.

Coupon is the total amount of interest a security will pay. The coupon period depends on the security. A CD will often pay interest at maturity, while a bond may pay semi annually or annually and an FRN will most likely pay every 3 months.

Covered bond Covered bonds are conventional bonds (fixed or floating) issued by financial institutions, that are backed by a separate group of loans, usually prime residential mortgages. This lowers the creditor's exposure to default risk, enhancing the credit. This is why the issue is usually rated AAA, higher than the rating given to the issuer reduces exposure to bail-in risk.

Credit rating A measure of the credit worthiness of a borrower. A credit rating can be assigned to country, organisation or specific debt issue/ financial obligation. There are a number of credit ratings agencies but the main 3 are Standard & Poor's, Fitch or Moody's.

MIFID is the Markets in Financial Instruments Directive. A European Union Directive.

Principal is the total amount being borrowed or lent.

Spread is the difference between the buy and sell price of a security. It can also be the gap, usually in basis points, between the yield of a security and the benchmark security.
Monetary Policy Committee (**MPC**) is a committee of the Bank of England, which meets for three and a half days, eight times a year, to decide the official interest rate in the United Kingdom (the Bank of England Base Rate).

CPIH (Consumer Prices Index including owner occupiers' housing costs) The new additional measure of consumer price inflation including a measure of owner occupiers' housing costs (OOH).

Treasury bills (T-bills) are UK government rated, short-dated form of Government debt, issued by the Debt Management Office (DMO) via a weekly tender. T-bills are normally issued for one, three or six month duration.

Borrowing Requirements The principal amount the Council requires to borrow to finance capital expenditure and loan redemptions.

Capital Financing Requirement (CFR) Capital Financing Requirement- a measure of the Council's underlying need to borrow to fund capital expenditure.

Counterparties Organisations or Institutions the Council lends money to e.g. Banks; Local Authorities and MMFs.

Credit Default Swap (CDS) A kind of protection that can be purchased by MMF companies from insurance companies (for their investment) in exchange for a payoff if the organisation they have invested in does not repay the loan i.e. they default.

Credit Watch A scoring system issued by credit rating agencies such as Fitch, Moody's and Standard & Poors that indicate the financial strength and other factors of a bank or similar Institution.

Interest Rate Exposures A measure of the proportion of money invested and what impact movements in the financial markets would have on them.

Market Loans Loans from banks available from the London Money Market including LOBOS (Lender Option, Borrowing Option) which enable the authority to take advantage of low fixed interest for a number of years before an agreed variable rate comes into force.

Money Market Fund (MMF) A 'pool' of different types of investments managed by a fund manager that invests in lightly liquid short term financial instruments with high credit rating.

Minimum Revenue Provision (MRP) This is the amount which must be set aside from the revenue budget each year to cover future repayment of loans.

Sterling Overnight Interbank Average Rates (SONIA) –
is based on the actual transactions and reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors.