

**London Borough of Waltham Forest
2025/26 Treasury
Management Mid-Year
Review**

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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 2025/26.
- 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 2025.
- A review of the Council's borrowing strategy for 2025/26.
- A review of compliance with Treasury and Prudential Limits for 2025/26.

3. Treasury Management Summary as at 30th September 2025.

Investments Activity

The Council's investments on the 30th September 2025 is £33.4m with average interest rate of 4.05% as below.

Investments	Balance at 01.04.2025 £m	Net Movement £m	Balance at 30.9.2025 £m	Ave Rates/ Return %
UK Banks	10.0	(10.0)		
Building Societies	5.0	(5.0)		
Local Authorities	20.0	(20.0)		
Call Account	5.0	(4.9)	0.1	3.00
Money Market Fund	40.0	(6.7)	33.3	4.05
Total Investments	80.0	(46.6)	33.4	4.05

Breakdown of investments – see appendix F.

No investment was made for more than 365 days.

The Council resources that are not immediately required for current expenditure are invested in Call accounts and Money Markets in accordance with guidance issued by the MHCLG on Local Authority Investments and the approved investment strategy. 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 council measures its treasury management portfolio performance against a composite investment benchmark of SONIA (Sterling Overnight Interbank Average rate). The treasury management investments objectives are, in order of priority security, liquidity, and yield. This is in line with the requirements of the statutory guidance for local government treasury investment issued by MHCLG. The objective therefore is to ensure that funds are invested with an emphasis on security and that fund remains available to meet council liabilities as they fall due before focusing on generating yield. The rate of investment return received by the treasury management portfolio is therefore a consequence of the council's prudent, low risk approach to treasury management investing. The investment activity during the period conformed to the approved strategy and the cash flow was successfully managed to maintain liquidity.

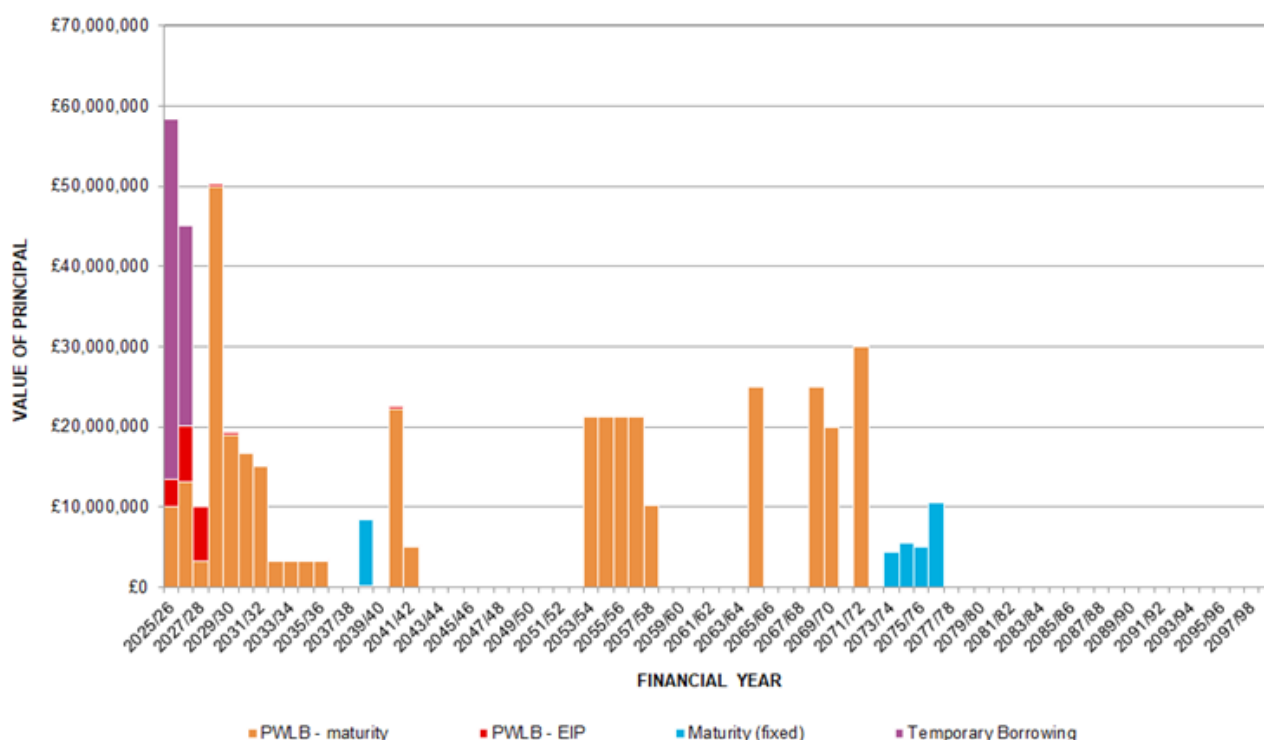
Borrowing Position

The Council's borrowing position as at 30th September 2025 are £489.7m as below:

Loans	Balance as at 01.4.2025 £m	Raised £m	Repaid £m	Balance as at 30.9.2025 £m	Rate/Return %
PWLB	392.8		(6.6)	386.2	3.86
Market Loan	33.7		(0.2)	33.5	4.13
Temp Loans	111.0	107.9	(149.0)	69.9	4.10
Salix loan	0.2		(0.1)	0.1	0.00
Total Loans	537.7	107.9	(155.9)	489.7	3.92

During the first half of the year to 30th September 2025, no long-term borrowing was undertaken.

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 2025/26 was approved by this Council on 27th February 2025.

- 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 2025/26	Original £m	Revised Prudential Indicator £m
Authorised Limit		
Borrowing	780.4	780.4
Other Long-term liabilities (OLTL)	29.9	29.9
	810.3	810.3
Operational Boundary		
Borrowing	638.5	638.5
Other Long-term liabilities (OLTL)	29.9	29.9
	668.4	668.4

Capital Financing Requirement	774.8	774.8
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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.

The Council's capital financing requirement (CFR) for 2024/25 is £690m. 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 2024-25 statement of account, the Council's under-borrowing position is £120.3m (CFR of £658m, less external debts of £537.7m). The actual CFR of £690k less PFI and finance lease of £32m.

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. MUFG (the Council Treasury Advisers) latest interest rate forecast expects Bank of England Base rate to be reduced from 4.00% in September 2025 to 3.75% by March 2026.

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	202526 Original Estimate £m	Current Position as 30 sept 2025 £m
Education	9.8	8.4
Social Services	1.6	2.9
HRA	49.9	59.7
Other	104.2	88.2
Total capital expenditure	165.5	159.2

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	2025/26 Original Estimate £m	2025/26 Current Position 30-Sept-25 £m
Total capital expenditure	165.5	159.2
Financed by:		
Capital grants	39.3	39.3
Capital receipts	8.3	5.6
Direct Revenue Financing	17.0	11.5
Other Contributions	16.8	39.5
Borrowing via Future Capital Receipts		
Total Net financing	81.4	95.9
Borrowing requirement	84.1	63.3

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 and Operational Boundary for external debt

	2024/25 Actual £m	2025/26 30-sept-25 £m	2025/26 Original Estimate £m
CFR – non housing	349.4	397.1	417.5
CFR – housing	341.3	356.9	357.3
Total CFR	690.7	754.0	774.8
Net movement in CFR			
Operational Boundary			
Borrowing	537.7	489.7	638.5
Other long term liabilities*	32.5	29.9	29.9
Total debt (year end position)	570.2	519.6	668.4

Economics update

The Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target, and in a way that helps to sustain growth and employment. The MPC adopts a medium-term and forward-looking approach to determine the monetary stance required to achieve the inflation target sustainably.

At its meeting ending on 17 September 2025, the MPC voted by a majority of 7–2 to maintain Bank Rate at 4%. Two members voted to reduce Bank Rate by 0.25 percentage points, to 3.75%. The Committee voted by a majority of 7–2 to reduce the stock of UK government bond purchases held for monetary policy purposes, and financed by the issuance of central bank reserves, by £70 billion over the next 12 months, to a total of £488 billion.

There has been substantial disinflation over the past two and a half years, following previous external shocks, supported by the restrictive stance of monetary policy. That progress has allowed for reductions in Bank Rate over the past year. The Committee remains focused on squeezing out any existing or emerging persistent inflationary pressures, to return inflation sustainably to its 2% target in the medium term.

Underlying disinflation has generally continued, although with greater progress in easing wage pressures than prices. Twelve-month CPI inflation was 3.8% in August, and is expected to increase slightly in September, before falling towards the 2% target thereafter. The Committee remains alert to the risk that this temporary increase in inflation could put additional upward pressure on the wage and price-setting process. Pay growth remains elevated but has fallen and is expected to slow significantly over the rest of the year. Services consumer price inflation has been broadly flat over recent months. Upside risks around medium-term inflationary pressures remain prominent in the Committee's assessment of the outlook.

Underlying UK GDP growth has remained subdued, consistent with a continued, gradual loosening in the labour market, as well as a margin of slack in the economy. Downside domestic and geopolitical risks around economic activity remain.

At this meeting, the Committee voted to maintain Bank Rate at 4%. A gradual and careful approach to the further withdrawal of monetary policy restraint remains appropriate. The restrictiveness of monetary policy has fallen as Bank Rate has been reduced. The timing and pace of future reductions in the restrictiveness of policy will depend on the extent to which underlying disinflationary pressures continue to ease. Monetary policy is not on a pre-set path, and the Committee will remain responsive to the accumulation of evidence.

Interest rate forecasts

The Council's treasury adviser MUFG (Mitsubishi UFJ Financial Group) 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).

Interest Rate Forecasts								
Bank Rate	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27
MUFG CM	4.00%	4.00%	3.75%	3.75%	3.50%	3.50%	3.50%	3.50%
Cap Econ	4.00%	4.00%	3.75%	3.50%	3.25%	3.00%	3.00%	3.00%
5Y PWLB RATE								
MUFG CM	4.80%	4.70%	4.50%	4.40%	4.30%	4.30%	4.30%	4.20%
Cap Econ	4.90%	5.00%	4.80%	4.70%	4.60%	4.50%	4.50%	4.50%
10Y PWLB RATE								
MUFG CM	5.30%	5.20%	5.00%	4.90%	4.80%	4.80%	4.80%	4.70%
Cap Econ	5.50%	5.60%	5.40%	5.30%	5.20%	5.10%	5.10%	5.20%
25Y PWLB RATE								
MUFG CM	6.10%	5.90%	5.70%	5.70%	5.50%	5.50%	5.50%	5.40%
Cap Econ	6.20%	6.20%	6.00%	5.90%	5.70%	5.50%	5.60%	5.60%
50Y PWLB RATE								
MUFG CM	5.80%	5.60%	5.40%	5.40%	5.30%	5.30%	5.30%	5.20%
Cap Econ	5.90%	5.80%	5.60%	5.50%	5.30%	5.20%	5.20%	5.30%

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 2025/26 Treasury and Prudential Indicators (affordability limits) were included and approved by Full Council as part of the TMSS on 27th February 2025.

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 debts portfolio. The upper limits on fixed and variable rate interest rate exposure, expressed as the proportion of gross principal borrowed as below:

	2024/25 Upper	2025/26 Upper	2026/27 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-25 %	Actual maturity	Upper Limit %	Lower Limit %
18.48	Under 12 months	75	0
3.95	1 to 2 years	25	0
15.71	3 to 5 years	25	0
9.80	6 to 10 years	25	0
52.06	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 2025/26 treasury management strategy in comparison to the half year are set below.

	2024/25 Forecast £000s	2025/26 Estimate £000s	2026/27 Estimate £000s	2027/28 Estimate £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)

Borrowing compared to the CFR							
2023/24 Actual £000s		2024/25 Forecast £000s	2025/26 Estimates £000s	2026/27 Estimates £000s	2027/28 Estimates £000s	2028/29 Estimates £000s	2029/30 Estimates £000s
496,414	Gross Projected Debt	541,828	610,417	580,061	591,174	600,929	614,671
637,668	Capital Financing Requirement	677,748	739,466	702,015	705,802	707,992	714,070
141,254	Under/(Over) borrowing	135,920	129,049	121,955	114,628	107,064	99,399

2023/24 Actual £'000		2024/25 Forecast £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000	2028/29 Estimate £'000	2029/30 Estimate £'000
	CFR as at 31 March						
339,115	General Fund	332,375	378,080	313,542	306,248	296,739	286,718
298,553	HRA	345,373	361,387	388,474	399,554	411,253	427,352
637,668	TOTAL CFR AS AT 31 MARCH	677,748	739,466	702,015	705,802	707,992	714,070

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 2025/26 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

2023/24 Actual £000s		2024/25 Forecast £000s	2025/26 Estimates £000s	2026/27 Estimates £000s	2027/28 Estimates £000s	2028/29 Estimates £000s	2029/30 Estimates £000s
	Authorised Limit:						
662,489	Borrowing	709,701	780,455	742,355	749,423	754,480	763,758
35,405	Other long-term liabilities(OLTL)	32,566	29,962	27,147	24,509	22,102	19,745
697,894	Total Authorised Boundary	742,266	810,417	769,502	773,931	776,581	783,503
	Operational Boundary:						
542,036	Borrowing	580,664	638,554	607,382	613,164	617,302	624,893
35,405	Other long-term liabilities(OLTL)	32,566	29,962	27,147	24,509	22,102	19,745
577,441	Total Operational Boundary	613,230	668,516	634,529	637,673	639,403	644,638

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 2025/26

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. The interest rates have reduced and that has had an impact on the investment returns being received. The level of interest rates seen since the peaks experienced over the past few years have reduced. These historic investments which are maturing with the higher interest rate has now been replaced with lower interest rate investment as the base rate forecast to be lower to 3.75% in March 2026.

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 institution £ per	Max. maturity period
Specified Investments			
DMADF – UK Government	N/A	100%	6 months*
Money market funds: CNAV and VNAV	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	50%	Up to 3 years Up to 3 years Up to 3 years Up to 1 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	Max % of total investments/ £ limit per institution	Max. period maturity
Non-specified investments			
Term deposits with unrated Building Societies	Assets over £1.0bn	25%	12mths
UK Banks – Natwest, Santander, Lloyds, HSBC, Barclays and RBS	n/a	£70m or 50% of total investments	1-3 yrs.
Pooled Vehicles: Enhanced Money Market Funds: UK Government and Government Guaranteed securities Pooled Property Funds Short – Term Investment – grade sterling denominated instruments	N/A	£10m	4yrs
UK Treasury Bills, Certificate of Deposits and T-bills	Yellow Purple Blue Orange Red Green No Colour	25%	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 Bonds including Floating Rate Notes (FRNs)	Minimum Credit Rating: BBB	25%	3yrs

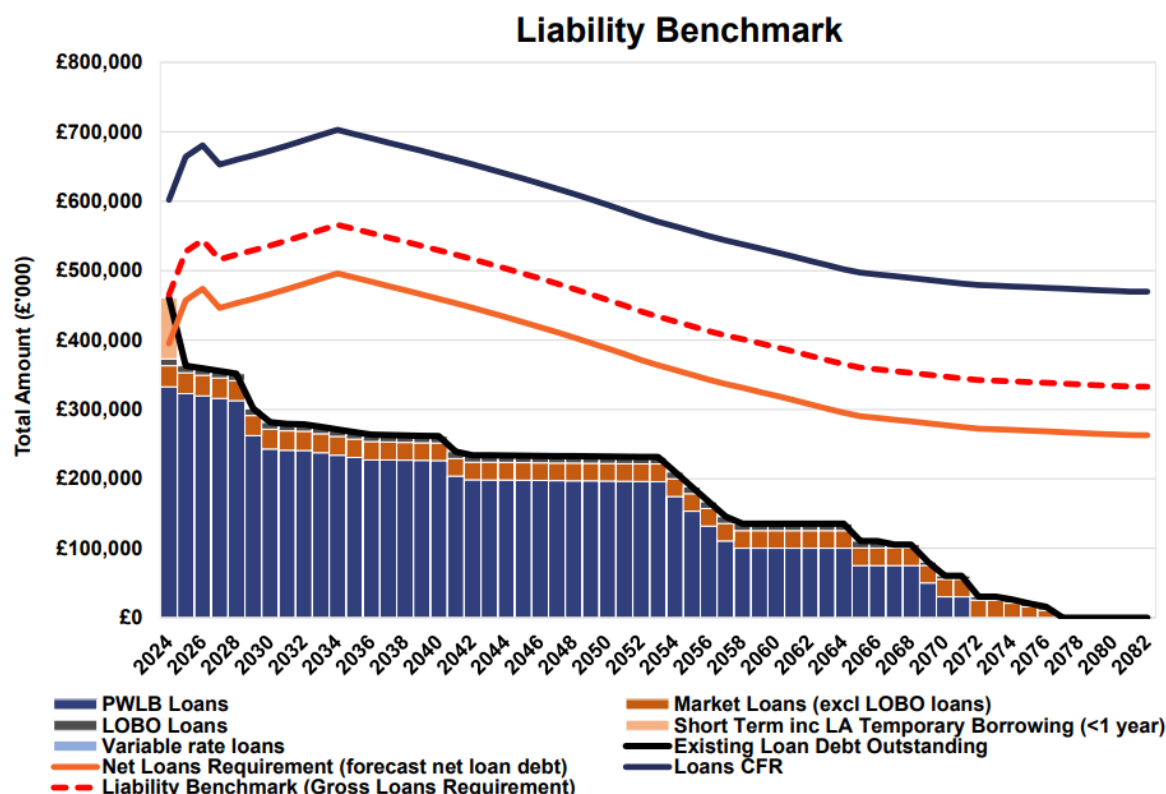
Approved Countries for Investments

Lowest rating	available	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 2025-26.

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.

CIPFA has issued a consultation on the Prudential Code for Capital Finance in Local Authorities and Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes.

CIPFA is reviewing both Codes to ensure that they remain fit for purpose and that changes introduced in 2021 have sufficiently reduced the risk arising from the growth in commercial activity. The consultation is an initial consultation to seek views on areas where the Codes can be strengthened or amended. More detail on proposed changes will follow in a subsequent consultation. Deadline for responses 17th October 2025.

It seeks feedback on the following areas:

Structure and coverage of the Codes and guidance

Commercial and service investments and proportionality

The liability benchmark

The prudential indicators

Further guidance

Breakdown of Investments

Appendix F

Institution Type	1st April 2025 Actual £'m	30th September 2025 £'m
UK Banks		
Goldman Sachs INT'L Bank	5.0	
Natwest	5.0	
Barclays - Investment account	5.0	0.1
Building Societies		
Newcastle	5.0	
Local Authorities & Other Public Sector		
EASTBOURNE BOROUGH COUNCIL	5.0	
TORFAEN COUNTY BOROUGH COUNCIL	5.0	
WILTSHIRE COUNTY COUNCIL	5.0	
HARLOW DISTRICT COUNCIL	5.0	
Money Market Funds		
Aberdeen	5.0	5.0
Morgan Stanley	5.0	5.0
Aviva	5.0	5.0
Federated Investors	5.0	5.0
CCLA	5.0	5.0
Goldman Sachs INT'L Bank	5.0	2.9
JP Morgan	5.0	0.4
Federated Prime rates	5.0	5.0
Total investments	80.0	33.4

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.