Report for: AUDIT COMMITTEE
FOR INFORMATION
Item Number:

Contains Private and Confidential Information	**YES** (Appendix 2)	Pursuant to para. (3) of Schedule 12A of the Local Government Act 1972
Title	**Treasury Management Q1 Update 2019/20**	
Responsible Officer	Ross Brown: Chief Finance Officer	
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Portfolio	Cllr. Bassam Mahfouz – Finance & Leisure	
For Consideration By	Audit Committee	
Date to be Considered	25 July 2019	
Implementation Date if Not Called In	N/A	
Affected Wards	N/A	
Area Committees	N/A	
Keywords/Index	Treasury, Borrowing, Lending, Investments	

Purpose of Report

This report provides an update on the Council's borrowing and investment activities for the quarter ending 30 June 2019.

Over the reporting period, all treasury management activities have been carried out in accordance with the approved limits. The report also provides information on the prevailing economic conditions over the reporting period.

1. Recommendations

Members are recommended to:

1.1 Note the Treasury Management activities and performance against targets for the period to 30 June 2019.

1.2 Note the Council's investment balance of £224.200m as at 30 June 2019 of which £162.000m was invested in other Local Authorities (*Appendix 1*).

1.3 Note the Council's counterparty investment list (*Appendix 2 - Confidential*).

2. Reason for Decision and Options Considered

2.1 This report updates on both the investment and borrowing decisions made by the Chief Finance Officer under delegated authority in the context of the prevailing economic conditions and considers Treasury Management Performance measured against the benchmark 7 day LIBID rate.

2.2 Treasury management is defined as "the management of the Council'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".

Summary

2.3 The key messages from this report are that:

- All treasury management activities were executed by authorised officers within the parameters agreed by the Council.
- All investments were made to counterparties on the Council's approved Counterparty Investment list and within approved limits.
- No long-term borrowing was raised during the period reporting to 30 June 2019.
- The existing long term debt to fund capital expenditure has increased slightly from £618.704m to £618.754m due to an increase in the amounts held on behalf of the Mortlake Crematorium Board.
- The council earned an average investment return of 0.909% on short term investments, outperforming the rolling average 7 Day LIBID rate of 0.570%.
- The council currently holds no direct investments with overseas financial institutions, though these are held indirectly through the council's Money Market Funds (MMF) exposure.
- The HRA debt is managed separately from General Fund debt.

2.4 A glossary of terms is set out at the end of this report, to make this technical report as user friendly as possible.

3. Treasury Management Strategy

3.1 The Council's Treasury Management Strategy for 2019/20 was approved on 12 February 2019 by Full Council. The strategy comprehensively outlined how the treasury function would operate throughout the financial year 2019/20 including the limits and criteria to be used to determine which organisations the Council would invest its surplus cash with, and the Council's policy on long term borrowing and limits on debt. The Council complied with the strategy during the period to 30 June 2019.

Investment of Pension Fund Cash

3.2 The Pension Fund's surplus cash is invested in accordance with the Council's Treasury Management strategy agreed by Full Council in February 2018, which is delegated to the Chief Finance Officer to manage on a day to day basis within set parameters. The cash is now held at the fund's custodian bank account from where it is swept nightly into a money market fund operated by Goldman Sachs, however some of it is held within the Lloyds Pension Fund bank account for the day to day running of the Fund.

3.3 The Treasury Management Strategy is reviewed on a monthly basis at the Treasury Risk & Investment Board (TRIB), a meeting consisting of senior Corporate Finance Officers and chaired by the Chief Finance Officer. The Pension Fund Panel (PFP) is updated on Pension Fund investment activities and the Chair of the PFP is briefed regularly.

4. Economic Background

4.1 The following is a summary of key economic conditions prevailing during the first quarter of the financial year 2019/20:

- UK growth was 0.5% in quarter 1, but is expected to fall in quarter 2.
- Wage inflation remains high at 3.4%.
- The Consumer Price Index (CPI) has risen slightly to 2.1%.
- Unemployment remains at its lowest rate since 1975 of 3.8%.
- EU growth was 2.1% in 2018, and is expected to fall in 2019.
- USA growth was a strong 3.1% in the first quarter of 2019.

4.2 After only tepid annual economic growth of 1.4% in 2018, growth in quarter 1 was unexpectedly strong at 0.5%. However, this was boosted by companies stockpiling supplies ahead of the original March Brexit deadline so quarter 2 is now expected to be zero or slightly negative.

4.3 The trend in wage inflation peaked at a new post financial crisis high of 3.5%, (excluding bonuses), in the three months to December before falling marginally to 3.4% more recently. Growth in employment fell to only 32,000 in the three months to April, well below the 2018 average, while the unemployment rate remained at 3.8 percent, its lowest rate since 1975. Correspondingly, the total level of vacancies has risen to new highs.

4.4 CPI inflation rose slightly to 2.1% in April before falling back again to 2.0% in May, and is likely to remain around this level over the next two years. If there was a no deal Brexit though, it could rise towards 4%, primarily as a result of imported inflation on the back of a weakening pound.

4.5 USA - President Trump's massive easing of fiscal policy in 2018 fuelled a (temporary) boost in consumption in 2018 which generated an upturn in the rate of growth to 2.9% for 2018, just below his target of 3%. Growth in quarter 1 of 2019 was a strong 3.1% but current expectations are for this to weaken considerably in quarter 2. The strong growth in employment numbers during 2018 has faded more recently, indicating that the economy is cooling, while inflationary pressures are also weakening. After the Fed increased rates by 0.25% in December to between 2.25% and 2.50%, market expectations have swung to now expecting the Fed to cut rates by 1.0% - 1.25% in total to counter the expected downturn in growth. Financial markets have priced in a first cut of 0.25% for July.

4.6 EU - The annual rate of growth for 2018 was 1.8% but is expected to fall to possibly around half that rate in 2019. The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018, which meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by purchases of debt.

Economic Forecast

4.7 The Council's treasury advisor, Link Asset Services (LAS), has provided the following interest rate forecast:

Table 1 – Interest Rate Forecasts

	Sep-19 %	Dec-19 %	Mar-20 %	Jun-20 %	Sep-20 %	Dec-20 %	Mar-21 %
Bank of Rate							
Link	0.75	0.75	0.75	1.00	1.00	1.25	1.25
Capital Eco.	0.75	0.75	0.75	0.75	0.75	1.00	1.00
5yr PWLB Rate							
Link	1.80	1.80	1.90	2.00	2.10	2.20	2.20
Capital Eco.	1.50	1.55	1.60	1.70	1.80	1.95	2.05
10yr PWLB							
Link	2.10	2.20	2.30	2.40	2.50	2.50	2.60
Capital Eco.	1.75	1.80	1.80	1.95	2.05	2.20	2.30
25yr PWLB							
Link	2.60	2.70	2.80	2.90	3.00	3.10	3.20
Capital Eco.	2.23	2.23	2.23	2.43	2.48	2.58	2.63
50yr PWLB							
Link	2.40	2.50	2.60	2.70	2.80	2.90	3.00
Capital Eco.	2.20	2.20	2.20	2.35	2.45	2.55	2.70

4.8 After the August 2018 increase in Bank Rate to 0.75%, the first above 0.5% since the financial crash, the MPC has put any further action on hold, probably until such time as the uncertainties surrounding Brexit are resolved and there is some degree of certainty of what the UK will be heading into. The above forecast, and other comments in this report, are based on a central assumption that there will be some form of muddle through agreement on a reasonable form of Brexit. Bank Rate forecasts will have to change if this assumption does not materialise e.g. a no deal Brexit on 31 October could well prompt the MPC to do an immediate cut of 0.5% in Bank Rate back to 0.25%. All other forecasts for investment and borrowing rates would also have to change.

5. Treasury Management Strategy Statement 2019/20

Annual Investment Strategy

5.1 The Council's Annual Investment Strategy is an integral part of the approved Treasury Management Strategy for 2019/20. It outlines the Council's investment priorities as follows (in order of priority):

- Security of Capital
- Liquidity
- Yield

5.2 The Council will aim to achieve the optimum return on investments commensurate with proper levels of security and liquidity.

5.3 The Council managed its investments in-house and invested with institutions on the Council's approved counterparty investment list (Appendix 2). Following the global financial crises and persistent uncertainties, the Council remains relatively risk averse and operates a restricted counterparty investment list and a summary of the institutions to which the Council invested with is outlined below:

1. The UK Government directly (Debt Management Office)
2. The UK Government (Treasury Bill via King & Shaxson)
3. Royal Bank of Scotland
4. The Council's banker (Lloyds)
5. HSBC
6. Standard Chartered Bank (Certificate of Deposit via King & Shaxson)
7. Barclays Bank
8. Nationwide Building Society
9. Local Authorities
10. AAA rated Money Market Funds

5.4 The Council's temporary investment and borrowing activity (that is 365 days or less) over the period is set out below:

Table 2: Overall Treasury Cash Flow Position as at 30 June 2019

Description	Investments	Borrowing	Net Position
	£m	£m	£m
Outstanding 31 March 2019	207.470	0.000	207.470
Raised during period	425.750	(10.000)	415.750
Repayments during period	(409.020)	0.000	(409.020)
Outstanding 30 June 2019	224.200	(10.000)	214.200

5.5 Over the period to 30 June 2019, the Council's cash flows were maintained through borrowing and investment activities on the wholesale money market and the net investment position at the reporting date was £214.200m.

5.6 Temporary borrowing of £10.000m was raised during the period to cover short term cash flow requirements. No repayments were made during the period, therefore £10.000m of temporary borrowing was outstanding at 30 June 2019.

Investments Held on Behalf of External Parties

5.7 The Council has an agreement with West London Waste Authority (WLWA) and the Board of Mortlake Crematorium to invest funds on behalf of the organisations. The total funds under the arrangement at 30 June 2019 were £6.943m (WLWA is £4.500m and Mortlake £2.443m).

Investments held by the Council

5.8 The Council maintained an average balance of £241.635m of internally managed funds and held an outstanding balance of £224.200m as at 30 June 2019. The internally managed funds earned an average rate of 0.909%. The comparable performance indicator is the average 7-day LIBID rate, which returned 0.570% during the same period. This is illustrated in the table below.

Table 3: Performance vs Benchmark

Month	Council Performance	Benchmark Rate (7day LIBID rate)	Outperformance
April 2019	0.894%	0.570%	0.324%
May 2019	0.895%	0.570%	0.325%
June 2019	0.939%	0.570%	0.369%
Average	0.909%	0.570%	0.339%

5.9 The Council's total investments held at 30 June 2019 are outlined below:

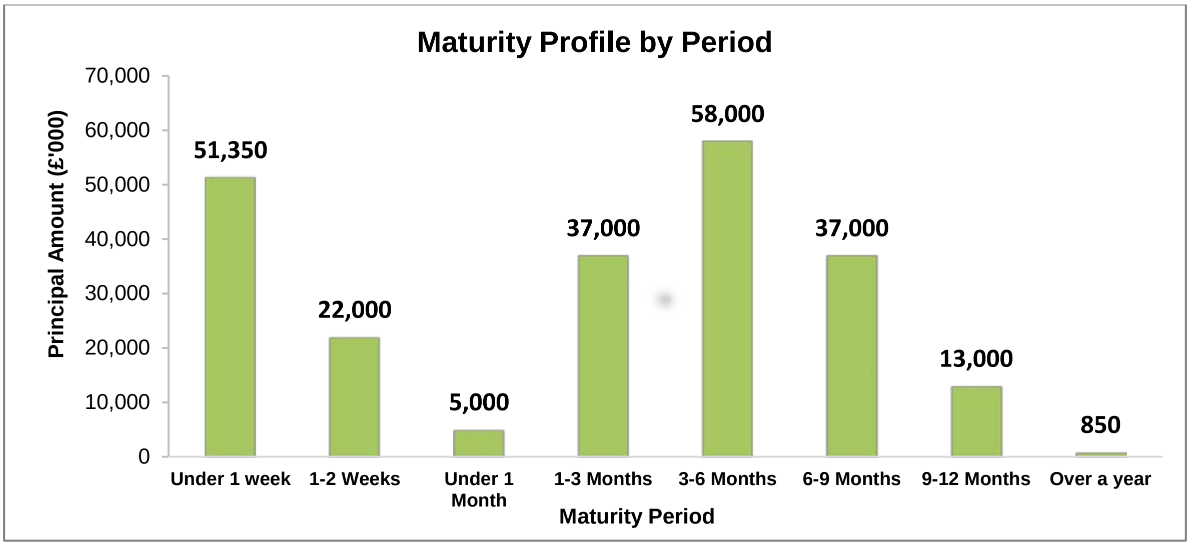
Table 4: Treasury Investment Portfolio

Counterparty Name	Total Investment as at 31/03/2019	Total Investments at 30/06/2019
	£m	£m
Local authorities	**148.000**	**162.000**
Lloyds	**29.420**	**11.350**
Nationwide Building Society	**5.000**	**10.000**
Debt Management Office	**24.200**	**-**
Money Market Funds	**-**	**40.000**
Other*	**0.850**	**0.850**
Total Investments	**207.470**	**224.200**

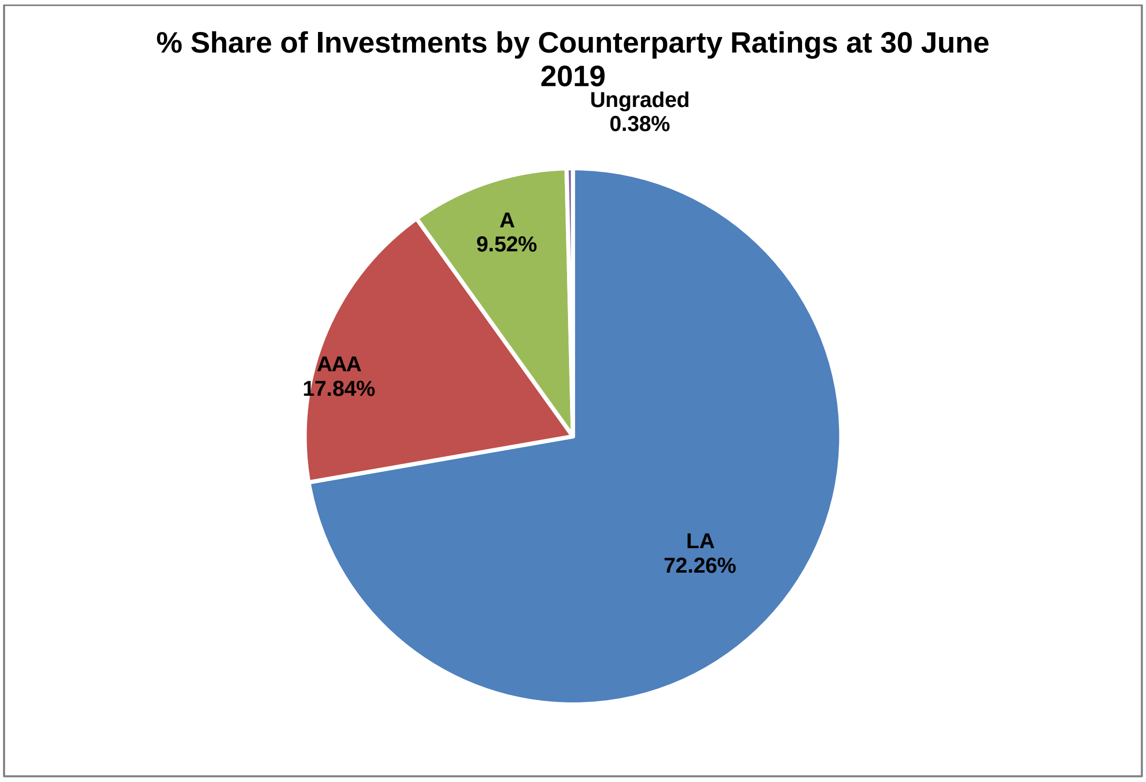
** Other investments in £0.600m in Future Ealing and £0.250m in Gunnersbury Estate*

5.10 Investment activities during the quarter conformed to the approved strategy, and the Council did not experience any liquidity difficulty.

5.11 The Council continues to place investments with several local authorities which are considered to be of high credit quality and are therefore on the Council's approved list of counterparties. The Council had 39 investments placed across several local authorities to the sum of £162.000m. These are included in the maturity profiling below:



- *The Council currently has two investments that has a maturity period of over one year – Future Ealing and Gunnersbury Estate*



- *Ungraded includes Future Ealing and Gunnersbury Estate of 0.2%.*
- *AAA, A – Fitch credit rating*

5.12 The Council's counterparty list includes Money Market Funds (MMFs) which are liquid funds investing globally in a diversified range of underlying instruments with highly rated counterparties. All the funds chosen are AAA rated with low volatility Net Asset Value (NAVs) strong sponsors and should provide a safe home for short term cash, with ready liquidity and relatively better returns given the transient nature of the authority's cash flows.

5.13 This does mean that the authority has indirect exposure to foreign institutions, but officers feel it is prudent for the authority to diversify away from the current UK focused stance. As at 30 June 2019 the balance of MMFs investments was £40.0m.

5.14 New rules around MMF's came into effect from 21 January 2019. The new regulations mainly focus on

- structure
- composition,
- liquidity requirements,
- Liquidity fees, redemption gates,
- understanding investor behaviour
- and information reporting.

5.15 MMF's will now be categorised into (a) Short Term MMF's and Standard MMF's with three structural options within these two categories per below.

Structural Options	Short Term Money Market Funds	Standard Money Market Funds
Government Constant Net Asset Value (CNAV)	x	
Low Volatility Net Asset Value (LVNAV) -NEW	x	
Variable Net Asset (VNAV)	x	x

5.16 To date European MMF's had CNAV and VNAV funds and the Council only used CNAV funds. CNAV funds have now been restricted to government portfolios while a new structural option for non government funds, the Low Volatility NET Asset Value (LVNAV) MMF has been introduced.

5.17 The LVNAV MMF still allows investors to purchase and redeem at stable NAV to two decimal places provided the fund is managed to certain maturity and liquidity constraints. If these constraints are breached the funds must be values at mark to market. The board of the MMF also have powers to take protective action in times of market stress or when more than 10% of the fund is redeemed in one day. These include gating or restricting the amount that can be drawn down in one day and levying liquidity fees on investors.

5.18 Currently the Council will restrict its use of MMF's to CNAV and LVNAV funds although the strategy the authority to use VNAV MMF should this be deemed appropriate at a future date.

6 Long Term Borrowing Requirement and Debt

6.1 The Council's Treasury Management Strategy Report approved in February 2019 outlined the Council's long term borrowing strategy for the financial year 2019/20. Over the course of the reporting period, the Council's cash flow requirements were financed through internal borrowing.

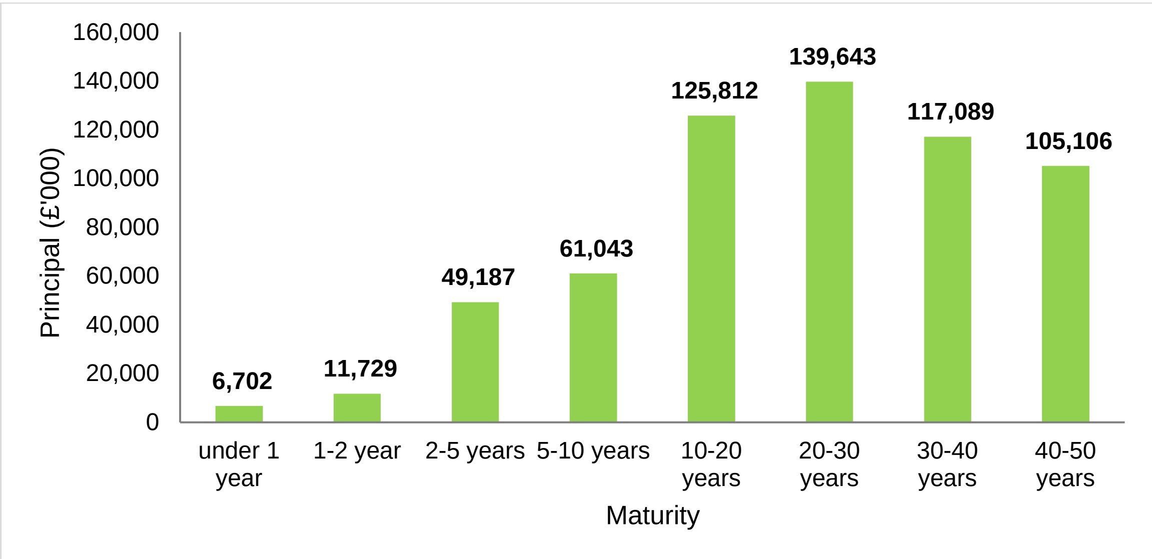
6.2 The total long term borrowing at 30 June 2019 was £618.704m (including Mortlake Crematorium Board Loan). The following table shows the split between General Fund and HRA borrowing. There were no maturities nor additional PWLB loans raised in the reporting period. Mortlake crematorium invested a further £0.050m.

Table 5: External Debt

Source	Debt as at 31/03/2019	Loans raised	Loans repaid	Debt as at 30/06/2019
	£m	£m	£m	£m
General Fund				
*PWLB	396.942	-	-	396.942
Market Loans	62.016	-	-	62.016
**Mortlake Crematorium	2.393	0.050	-	2.443
Total General Fund	**461.351**	**0.050**	**0.000**	**461.401**
HRA				
PWLB	131.369	-	-	131.369
Market Loans	25.984	-	-	25.984
Total HRA	**157.353**	**0.000**	**0.000**	**157.353**
Total Long Term Borrowing	**618.704**	**0.050**	**0.000**	**618.754**
***Memo Item:				
Other Long Term Liabilities (OLTL)	**115.769**	**-**	**-**	**115.769**

Notes:
**The £0.050m 'loan raised' figure relates to monies which are transferred by Mortlake Crematorium Board for investment by the Council on the Board's behalf*
***Other Long Term Liabilities (OLTL) are shown on the balance sheet as long term creditors and are not classified under accounting rules as debt so are shown as a memo item here for completeness.*

Graph 3: Long term borrowing maturity profile at 30 June 2019



6.3 The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR). The Council's actual borrowing at the end of the quarter was within the anticipated year end CFR of £895.805m. The table below shows the breakdown of the Council's total CFR.

Table 6: Capital Financing Requirement for 2019/20

Capital Financing Requirement	2018/19 Actual	2019/20 Estimate
	£m	£m
CFR - General Fund	497.733	589.488
CFR - Housing Revenue Account	162.801	195.813
Other Long Term Liabilities - PFI	115.769	110.504
Total CFR	776.303	895.805

Debt Rescheduling

6.4 Movements in interest rates over time can produce dislocations, which can present opportunities for the Council to replace existing loans with new loans at lower rates. The Council can also repay existing loans early without necessarily replacing the loans. These activities will attract a discount or premium depending on the prevailing market conditions. Debt rescheduling opportunities have been limited in the current economic climate following the increase in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010.

6.5 There were no debt rescheduling opportunities in the reporting period, as the cost of premium to repay debt outweighed savings that could be achieved from the lower PWLB borrowing rates.

PWLB Certainty Rate

6.6 The government launched a discounted borrowing rate as part of the Budget in March 2012. The PWLB Certainty Rate was introduced by the PWLB in November 2012, allowing local authorities to borrow at a discount of 0.20% on the Standard Rate. The Council is currently reapplying to borrow at the preferential certainty rate during the financial year 2019/20.

Market Loans

6.7 In June 2019 one of the Councils Lender Option Borrower Option (LOBO) loans was modified to remove the embedded option within the loan at no cost to the Council. The new fixed rate loan will be reassigned to a new lender meaning that neither the new lender nor the Council will be able to exercise the option under the old market loan.

7. Treasury Management Update Outside the Reporting Period

7.1. There is no information to update on activities that have occurred outside the reporting period.

8. Treasury Management Governance and Scrutiny

8.1 The Council continues to review and ensure that it embraces best practice in the risk management, control, monitoring and reporting of its treasury management processes.

8.2 In addition to the regular quarterly reports to audit committee, regular monitoring of Treasury Management activities is carried out by the senior management team, the portfolio holder for Finance and the Treasury Risk and Investment Board (TRIB) which is chaired by the Section 151 Officer.

8.3 The purpose of these reporting arrangements is to ensure that those with the ultimate responsibility for the Treasury Management function have an appreciation of the implications of treasury management policies and activities, and that those implementing the policies and executing transactions have properly fulfilled their responsibilities with regards to delegation and reporting.

9. Financial implications

9.1 The Treasury Management outturn position has continued the trend of recent years, with lower financing costs and reduced spending mainly attributable to deferred borrowing and some slippage on the capital programme. However, with current market conditions starting to shift, the borrowing position is under constant review and the Council will consider new borrowing at appropriate times. The current forecast for 2019/20 shows finance costs to underspend as a result of deprogramming and slippage.

10 Prudential Indicators

10.1 The Local Government Act 2003 and supporting regulations requires the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

10.2 The benefit of the indicators will be derived from monitoring them over time rather than from the absolute value of each. The indicators are not intended to be used as comparators between councils. An update on the prudential indicators has been provided with the 2018/19 Treasury Management outturn report. The next update will be included with the mid-year update report.

11 Legal

11.1 The investment of surplus funds and any borrowing must comply with the Local Government Act 2003 as amended by regulations from time to time by the Government. Local authorities by virtue of section 15 (1) (a) of the 2003 Act must have regard to any guidance on investments issued by the Secretary of State, the latest such guidance was issued in April 2010. Further, local authorities must have regard to other guidance specified by the Secretary of State under section 15 (1) (b) of the 2003 Act. Section 24 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 specifically mentions that local authorities shall also have regard to the code of practice contained in the document entitled "Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes" published by CIPFA, as amended or reissued from time to time.

11.2 To comply with the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 requires full Council to approve an Annual Statement of Minimum Revenue Provision.

12 Value for Money

12.1 Assessment of value for money is achieved through:

- Monitoring against benchmarks
- Operating within budget

12.2 For example, internally managed investment returns exceeded the LIBID benchmark on the 30 June 2019 and the PWLB borrowing was monitored throughout the year, the budgeted rate for 2019/20 was 3.30%. In addition, the treasury function operated within budget over the reporting period.

13 Risk Management

13.1 There is no treasury management activity without risk. Risk management plays a fundamental role in treasury activities, due to the value of transactions involved. When placing investments with counterparties, risk management and security of capital always remain the priority over returns.

13.2 The adoption of the CIPFA Code for Treasury Management in Public Services, the use of an investment list and receiving advice from Link Asset Services mitigate some of the risk associated with optimising performance returns. Security of capital remains the priority in the Council’s investment with counterparties. The Treasury Team continues to be alert to concerns regarding the current Eurozone debt situation (e.g. Portugal, Ireland, Greece, Spain and Italy) and this is reflected in the Council’s Counterparty Investment List.

14 Links to Strategic Objectives

14.1 Proper and effective management of the Treasury Management function is an essential element of the financial administration process within the Council. Income generated from this source makes a significant contribution to the resources available to fund the Councils strategic objectives.

15 Consultation

15.1 Link Asset Services provides the Council with advice on treasury management.

16 Appendices

16.1 Appendix 1 – Investment in Local Authorities
Appendix 2 – LB Ealing Counterparty Investment List – Private & Confidential

17 Background Information

17.1 Investment and borrowing activity files are kept at Perceval House on the 5th Floor.

Consultation

Name of Consultee	Department	Date sent to consultee	Date response received	Comments appear in report para:
Ross Brown	Chief Finance Officer (S151 Officer)		11/07/19	Throughout
Catherine Taylor Helen Harris	Legal			
Cllr Bassam Mahfouz	Portfolio Holder for Finance & Leisure	11/07/19	12/07/19	For reference
Cllr Tim Murtagh	Chair, Audit Committee			

Report History

Decision type: For Action/Information	Urgency item? No

Authorised by Cabinet member:	Date report drafted:	Report deadline:	Date report sent:

Report no.:	Report author and contact for queries:
	Bridget Uku, Group Manager - Treasury & Investments ext 5981 Louisa Fearnley, Treasury & Investments Accountant ext 7925

Glossary of terms used in the report

CFR – Capital Financing Requirement – a measure of the Council's underlying need to borrow to finance capital expenditure.

Counterparties – Organisations the Council investments its surplus money with e.g. Banks; Local Authorities and MMFs.

CPI & RPI – Consumer Prices Index & Retail Prices Index
The main inflation rate used in the UK is the CPI. The Chancellor of the Exchequer bases the UK inflation target on the CPI. The CPI inflation target is set at 2%. The CPI differs from the RPI in that CPI excludes housing costs. Also used is RPIX, which is a variation of RPI, one that removes mortgage interest payments.

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 variety of special programs offered by credit rating agencies and financial institutions to monitor organisation/individual's (e.g. bank) credit report for any credit related changes. A credit watch allows the organisation/individuals to act on any red flags before they can have a detrimental effect on credit score/history.

DMO – Bank of England's Debt Management Office.

Escrow Account – A money account held by an independent third party and disbursed upon fulfillment of certain contractual conditions.

GDP – Gross Domestic Product; a measure of a country's economic growth.

Gilts – Bonds issued by the UK government. The holder is paid a fixed cash amount (coupon) every six months until maturity, at which point the final coupon is paid along with the principal.

IMF – The International Monetary Fund is an intergovernmental organisation which states its aims as to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduces poverty around the world.

Impaired investment – An investment that has had a reduction in value to reflect changes that could impact significantly on the benefits expected from it.

LIBID – The London Interbank Bid Rate – it is the interest rate at which major banks in London are willing to borrow (bid for) funds from each other.

Market Loans – Loans from banks which are available on 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.

MMF – Money Market Fund – 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.

MPC – Monetary Policy Committee designated by the Bank of England, whose main role is to regulate interest rates.

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

Premium – Cost of early repayment of loan to PWLB to compensate for any losses that they may incur.

Prudential Indicators – Set of rules providing local authorities borrowing for funding capital projects under a professional code of practice developed by CIPFA and providing measures of affordability and prudence reflecting the Council's Capital Expenditure, Debt and Treasury Management.

PWLB – Public Works Loan Board, a statutory body whose function is to lend money to Local Authorities (LAs) and other prescribed bodies. The PWLB normally are the cheapest source of long term borrowing for LAs.

QE – Quantitative Easing. Usually, central banks try to raise the amount of lending and activity in the economy indirectly, by cutting interest rates. Lower interest rates encourage people to spend, not save. But when short term interest rates can go no lower, a central bank can buy government bonds (including long-term bonds) or other financial assets (e.g. corporate bonds) in an effort to increase money supply and stimulate the economy. This is quantitative easing.

Treasury Bill – Short term debt instruments issued by the Government. They provide a return to the investor by virtue of being issued at a discount to their final redemption value.