Report for: AUDIT COMMITTEE FOR INFORMATION
Item Number:

Contains Private and Confidential Information	**YES** (Appendix 3)	Pursuant to para. (3) of Schedule 12A of the Local Government Act 1972
Title	**Treasury Management Outturn 2017/18**	
Responsible Officer	Ian O'Donnell: Executive Director of Corporate Resources Ross Brown: Director of Finance (Deputy S151 Officer)	
Author(s)	Bridget Uku, *Group Manager Treasury & Investments* Tel: 020 8825 5981 E-mail: ukub@ealing.gov.uk Tim Mpofu, *Treasury & Investments Accountant* Tel: 020 8825 8083 Email: mpofut@ealing.gov.uk	
Portfolio	Cllr Bassam Mahfouz – Finance & Leisure	
For Consideration By	Audit Committee	
Date to be Considered	25 July 2018	
Implementation Date if Not Called In	N/A	
Affected Wards	N/A	
Area Committees	N/A	
Keywords/Index	Treasury, Borrowing, Lending, Investments, HRA Debt, Prudential Indicators	

Purpose of Report

This report outlines the Council's borrowing and investment activities for the financial year ending 31 March 2017. This update ensures that the Council is delivering its Treasury Management service in an open and transparent manner and that it is fulfilling its obligations under the Local Government Act 2003 to produce an annual review of activities.

The report is being submitted to the Audit Committee to enable Members to fulfil their scrutiny role of the treasury management function as per CIPFA's Code of Practice on Treasury Management.

During the financial year 2017/18, all treasury management activities have been carried out in accordance with the approved limits. The report also provides information on the prevailing economic conditions in the final quarter of 2017/18.

1. Recommendations

Members recommended to:

1.1 Note the Treasury Management activities and performance against targets for the period to 31 March 2018.

1.2 Note the Council's investment balance of £93.790m as at 31 March 2018 of which £49.500m was invested in other Local Authorities (set out in Appendix 1).

1.3 Note the Prudential Indicators outturn for 2017/18. These have all be maintained within the limits set by full Council in February 2017.set out in Appendix 2).

1.4 Note the Council's counterparty investment list (set out in confidential Appendix 3).

2. Reason for Decision and Options Considered

2.1 This report updates on both the borrowing and investment decisions made by the Director of Finance 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 This report summarises the following:

- 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 agreed limits.
- During the financial year, the Bank of England increase its base rate from 0.25% to 0.50%. Further increases are anticipated in mid-late 18/19.
- Long term borrowing of £45m was raised during the year to March 2017.
- The existing long term debt to fund capital expenditure increased from £496.806m to £530.963m during the financial year, of which £11.393m related to PWLB maturities. The consolidated rate of interest on borrowing was 4.51%.
- The council earned an average investment return of 0.394% on short term investments, outperforming the rolling average 7 Day LIBID rate of 0.140%.
- 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 but still falls under the responsibility of the Treasury Management function.

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 2017/18

3.1 The Council's Treasury Management Strategy for 2017/18 was approved on 21 February 2017 by Full Council. The strategy comprehensively outlined how the treasury function would operate throughout the financial year 2017/18 including the limits and criteria to be used to determine organisations in which the Council would invest its surplus cash and the council's policy on long term borrowing and limits on debt. The Council complied with the strategy throughout the financial year to 31 March 2018.

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 2017, which is delegated to the Director of Finance 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.

3.3 The Treasury Management Strategy is reviewed monthly at the Treasury Risk & Investment Board (TRIB), a meeting consisting of Corporate Finance Officers including the Director of Finance, the Treasury & Investments Manager, and chaired by the Executive Director of Corporate Resources. 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 financial year 2017/18:

- The UK economy grew by 1.8% in 2017.
- Consumer Price Index (CPI) inflation came in at 3.1% in 2017. The Bank expects this to gradually fall to the target of 2% over the next two to three years.
- EU inflation in March 2018 came in at 1.4%. Therefore, an upswing in the ECB bank rate is unlikely until possibly 2019.
- US economy grew by 2.3 in 2017.

4.2 The outcome of the EU referendum in June 2016 resulted in a negative economic outlook and economic forecasts from the Bank of England were based around an expectation of a major slowdown in UK GDP growth. Consequently, the Bank responded in August 2016 by cutting the Bank Rate from 0.5% by 0.25% to 0.25%. This was intended to stimulate growth in the economy, however it became evident that the pessimistic view was overstated as the UK economy grew by 1.8% in 2016 (a G7 leading growth rate) as well as in 2017.

4.3 During 2017, there was a major shift in expectations in financial markets in terms of how soon the Bank Rate would start on a rising trend. After the UK economy surprised on the upside with strong growth in the second half of 2016, growth in 2017 was disappointingly weak in the first half of the year with quarter 1 and quarter 2 recording growth of 0.3% (1.7% y/y) and 0.3% (1.5% y/y) respectively. The main reason for this was the sharp increase in inflation caused by the devaluation of sterling after the EU referendum which led to increases in the cost of imports into the economy. This caused a reduction in consumer disposable income and spending power as inflation exceeded average wage increases.

4.4 The Monetary Policy Committee (MPC) meeting of 14 September 2017 provided a shock to markets by switching to a much more aggressive tone in terms of its wording around warning that the Bank Rate would need to rise imminently. On 2 November 2017 at its quarterly Inflation Report meeting, the MPC duly delivered on the warning by withdrawing the 0.25% emergency rate cut which had been implemented in August 2016.

4.5 There was some debate on whether this move was a one off or the first of a series of increases in Bank Rate over the next 2-3 years. The GPD forecasts from the Bank were pessimistically weak while there was little evidence of building pressure on wage increases despite remarkably low unemployment. The MPC forecast that CPI would peak at 3.1% with the expectation that it would come down to near the 2% target over the two to three year time horizon.

4.6 The Public Works Loan Board's (PWLB) borrowing rates increased correspondingly to the above developments with the shorter-term rates increasing more sharply than the longer-term rates. During the second half of the year, there was a noticeable trend in treasury yields being on a rising trend with the Fed raising rates by 0.25% in June, December and March.

4.7 As for equity markets, the FTSE 100 hit a new peak near to 7,800 in early January before there was a sharp selloff in a number of stages during the spring, replicating similar developments in US equity markets.

4.8 Economic growth in the EU has been lack lustre for several years. However, growth has started to pick up and in 2017 it came in at 2.3%. Despite providing massive monetary stimulus, the European Central Bank is still struggling to get inflation up to its 2% target and in March inflation was only 1.4%. It is therefore unlikely to start on an upswing in rates (currently at -0.4%) until possibly 2019.

4.9 Growth in the US economy came in at 2.3% for 2017. Unemployment has also fallen to the lowest level for 17 years, reaching 4.1% in October to February while wage inflation pressures, and inflationary pressures in general have been building. The Fed has been the first major western central bank to start on an upswing in rates with six increases since December 2015. There could be a further two or three increases in 2018 as the Fed attempts to tackle the challenging GDP situation as well as the impacts of the Trump fiscal stimulus.

5. Treasury Management Strategy Statement

Annual Investment Strategy

5.1 The Council's Annual Investment Strategy is an integral part of the approved Treasury Management Strategy for 2017/18 and there are no proposed changes to that strategy. It outlines the Council's investment priorities as follows (in order of priority):

- Security of Capital
- Liquidity
- Yield

5.2 The Council aims 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 3). 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. RBS
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 Fund

5.4 The Council's temporary borrowing and investment activity (that is 364 days or less) over the period is set out below:

Table 1: Overall Treasury Cash Flow Position as at 31 March 2018

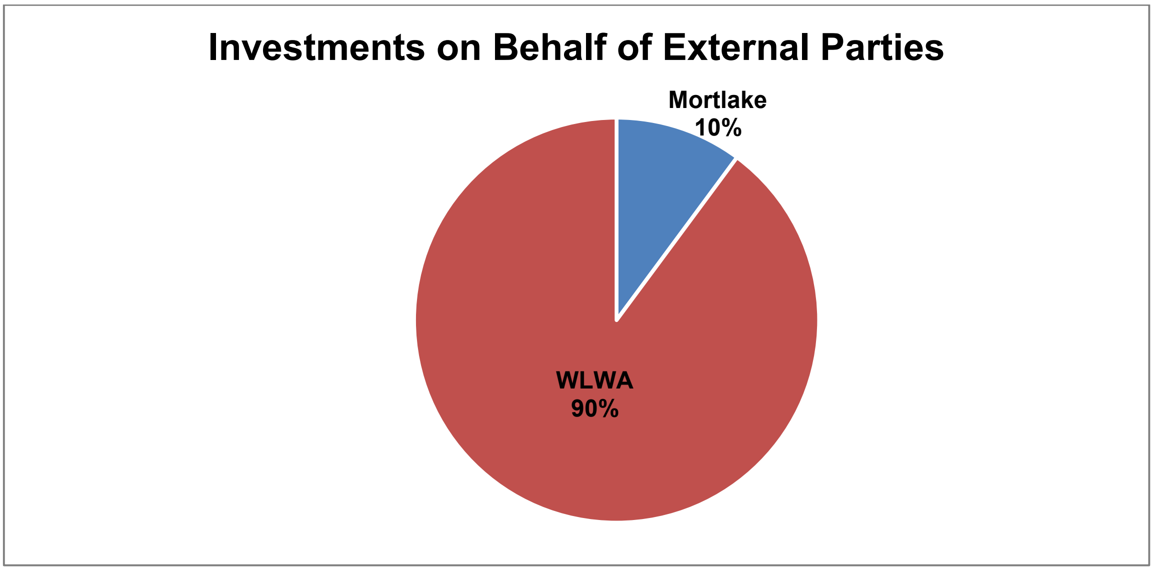
Description	Investments	Temporary Borrowing*	Net Position
	£m	£m	£m
Outstanding 1 April 2017	152.920	(22.000)	130.920
Raised during period	1,187.882	(132.000)	1,055.882
Repayments during period	(1,247.012)	144.000	(1,103.012)
Outstanding 31 March 2018	**93.790**	**(10.000)**	**83.790**

**temporary borrowing is borrowing raised for the purposes of effectively managing the Council's cash flow need which is held separately from long term borrowing raised to fund capital investment*

5.5 Over the 12 months to 31 March 2018, the Council's cash flows were maintained through borrowing and investment activities on the wholesale money market and the net investment position at 31 March 2018 was £83.790m.

5.6 Temporary borrowing of £10.000m was outstanding at 31 March 2018. The average rate of interest on temporary borrowing during the year was 0.34% with an average length of 33 days.

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 31 March 2018 were £18.918m as shown below.



Investment Rate 2017/18

5.8 The Bank of England increased its Bank Rate from 0.25% to 0.50% in November 2017. There have been no further increases since then. However, further increases are expected over the next few years.

5.9 Investment rates for 3 months and longer had been on a rising trend during the second half of the year in the expectation of Bank Rate increase. Deposit rates continued into the start of 2017/18 at previous depressed levels, due in part, to a large trance of cheap financing being made available under the Term Funding Scheme to the banking sector by the Bank of England; this facility ended on 28 February 2018.

5.10 The graph below illustrates the investment rates movement over the course of 2017/18.

Investment Outturn

5.11 In view of the above low rates, investment returns continued to be low throughout the financial year. The Bank of England has suggested it may continue with further rate increases in 2018 although there is still uncertainty on when this is likely to occur.

5.12 The Council's aim was to achieve optimum return on investments commensurate with the proper levels of security and liquidity. The Council has managed its investments internally and invested with institutions on the Council's approved lending list. Due to the ongoing volatile economic outlook, the Council operated a restricted lending list throughout the year, mainly investing in the UK Government, other Local Authorities and a handful of financial institutions along with Money Market Funds (MMFs). The approved list of investment counterparties remains subject to on-going review by the Treasury Risk and Investment Board which meets monthly.

5.13 The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

Investments held by the Council

5.14 The Council maintained an average balance of £127.283m of internally managed funds and held an outstanding balance of £93.790m as at 31 March 2018. The internally managed funds earned an average rate of 0.394%. The comparable performance indicator is the average 7-day LIBID rate, which returned 0.140%. This is illustrated in the table below.

Table 2: Performance vs Benchmark

Month	Council Performance	Benchmark Rate (7day LIBID rate)	Outperformance
April 2017	0.365%	0.112%	0.253%
May 2017	0.325%	0.112%	0.213%
June 2017	0.352%	0.112%	0.240%
July 2017	0.327%	0.112%	0.215%
August 2017	0.301%	0.112%	0.189%
September 2017	0.322%	0.112%	0.210%
October 2017	0.335%	0.112%	0.223%
November 2017	0.423%	0.140%	0.283%
December 2017	0.481%	0.160%	0.321%
January 2018	0.473%	0.190%	0.283%
February 2018	0.522%	0.200%	0.322%
March 2018	0.501%	0.210%	0.291%
Average	**0.394%**	**0.140%**	**0.254%**

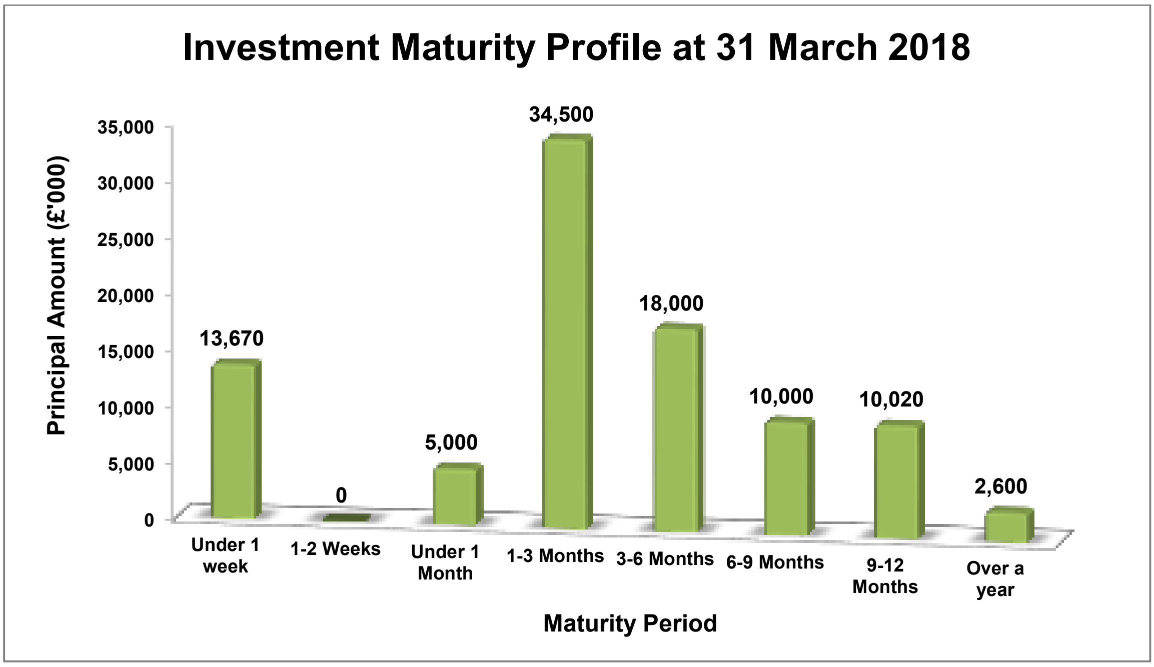
5.15 The ongoing uncertainties in the economic environment during the year meant that the Council continued to place investments in shorter term deposits and with high quality counterparties. However, there were some longer-term deposits placed with other local authorities.

Table 3: Treasury Investment Portfolio at 31 March 2018

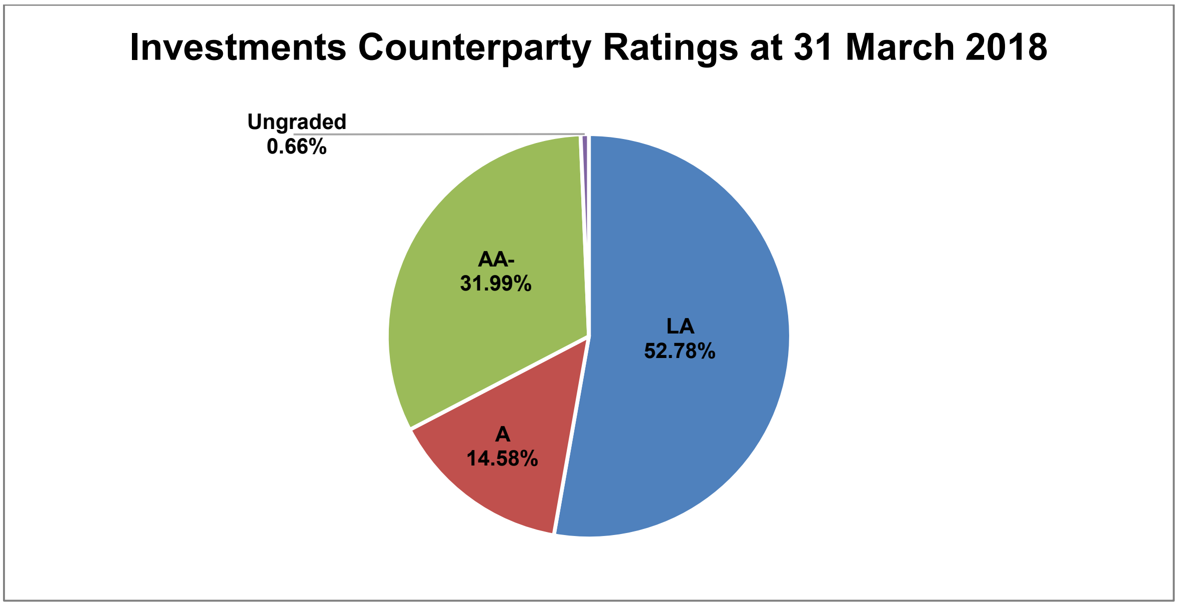
Counterparty Name	Total Investment as at 31/03/2017	Total Investments at 31/03/2018
	£m	**£m**
Local authorities	82.000	49.500
HSBC	30.000	30.000
Lloyds	19.600	13.670
Barclays	3.000	-
Nationwide Building Society	15.000	-
Debt Management Office	2.700	-
Money Market Funds	-	-
Other	0.620	0.620
Total Investments	**152.920**	**93.790**

- *Other investments include £0.60m investment in Future Ealing Ltd and £0.020m in Ealing Community Resource Centre Ltd.*

5.16 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 14 investments placed across several local authorities to the sum of £49.500m



- *The Council currently has two investments that have a maturity period of over one year – Future Ealing Ltd and Cheshire West & Chester Council.*



- *Ungraded includes Future Ealing of 0.64% and Ealing Community of 0.02%.*
  AA, A – Fitch Credit Rating

6 Long Term Borrowing Requirement and Debt

6.1 The Council's Treasury Management Strategy Report approved in February 2017 outlined the Council's long term borrowing strategy for the year. Over the course of the year to 31 March 2018, the Council's borrowing requirements were financed through internal borrowing. This means that the authority is delaying borrowing for capital schemes already financed by borrowing and funding this from other balances.

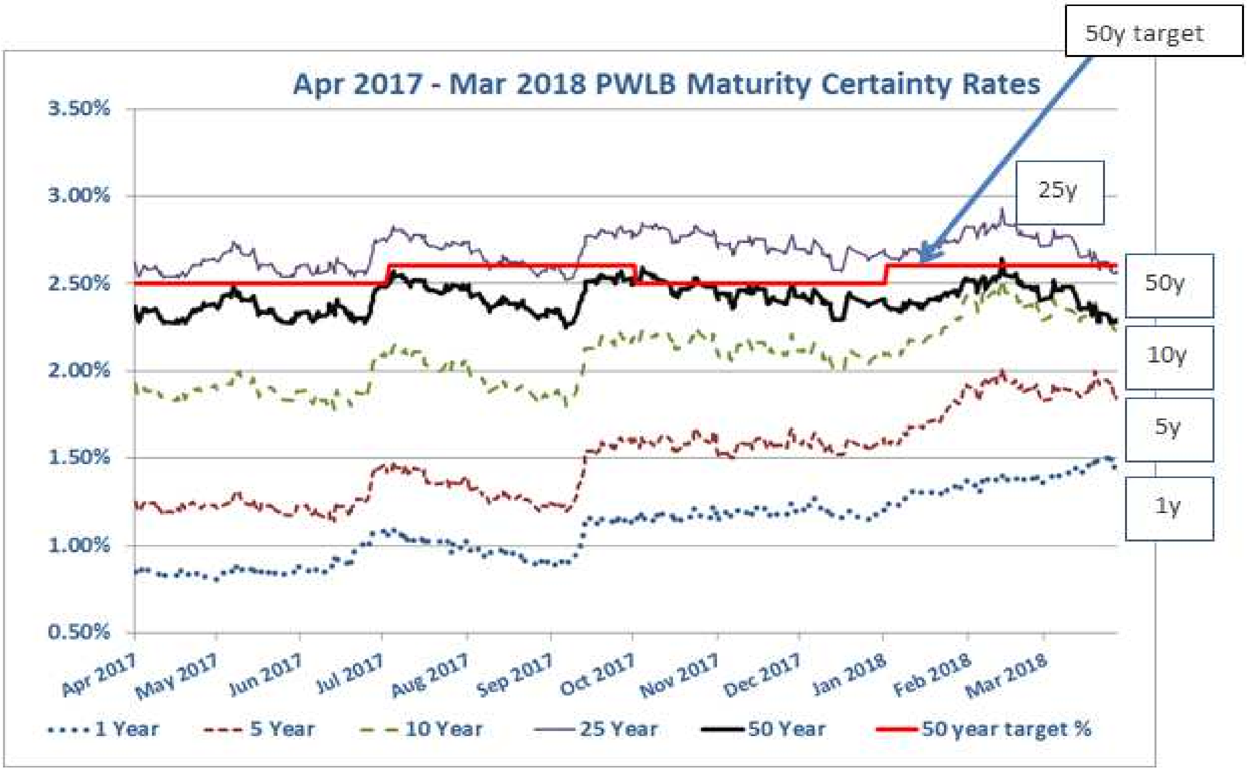
Borrowing Rates during 2017/18

6.2 The Council budgeted for an average interest rate of 5.00% on long term borrowing. The table below shows the ranges of PWLB interest rates during the financing year.

Table 4: PWLB Interest Rates Ranges

Period	High	Low	Rate at 31 March 2018
5 Year Maturity	2.01%	1.14%	1.85%
10 Year Maturity	2.53%	1.78%	2.23%
25 Year Maturity	2.93%	2.52%	2.57%
50 Year Maturity	2.64%	2.25%	2.29%

6.3 As depicted in the graph and tables below, PWLB 25 and 50 year rates have been volatile during the year with little consistent trend. However, shorter rates were on a rising trend during the second half of the year and reached peaks in February/March.



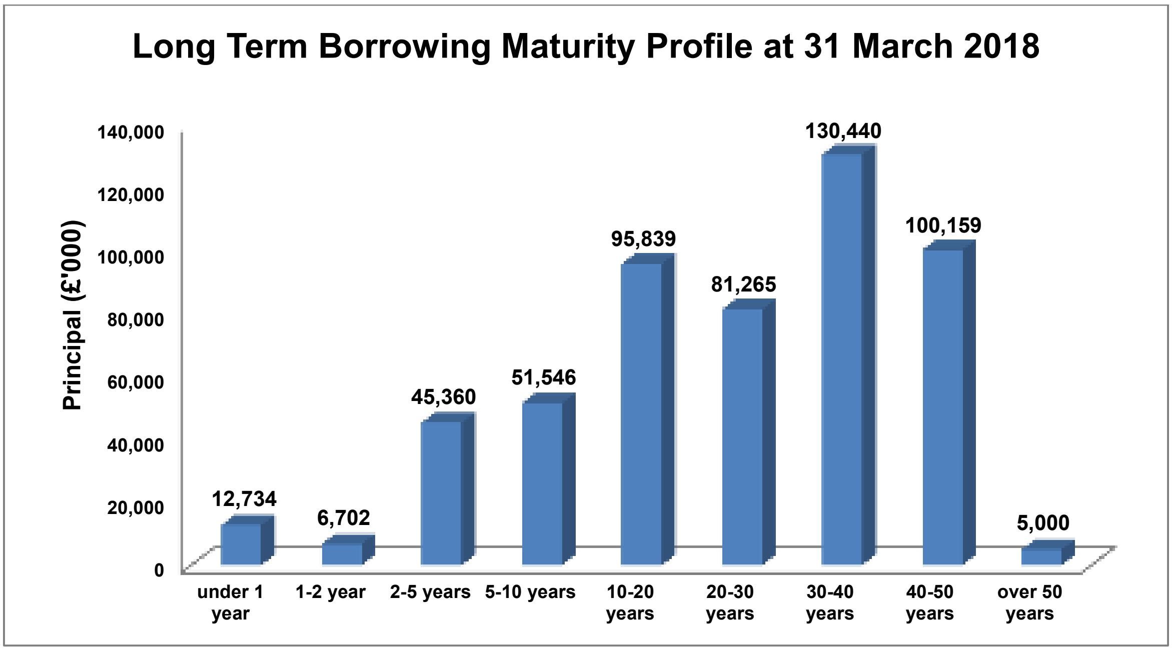
6.4 The Council raised £45m of PWLB borrowing during 17/18 to take advantage of the good value levels of long term borrowing rates. However, the Council still maintains an under-borrowing position of £120.135m and officers continue to monitor the position with some borrowing already having been earmarked for 2018/19.

6.5 The total long term borrowing at 31 March 2018 was £530.963m (including Mortlake Crematorium Board). The following table shows the spilt between the General Fund and HRA borrowing, and that overall debt increased by £34.157m from £496.806m the previous year.

Table 5: External Debt

Source	Debt as at 31/03/17	Loans raised	Loans repaid	Debt as at 31/03/2018
	£m	£m	£m	£m
General Fund				
PWLB	298.945	30.000	(8.029)	320.916
Market Loans	62.016	-	-	62.016
*Mortlake Crematorium	1.368	0.550	-	1.918
Total General Fund	**362.329**	**30.550**	**(8.029)**	**384.850**
HRA				
PWLB	108.493	15.000	(3.364)	120.129
Market Loans	25.984	-	-	25.984
Total HRA	**134.477**	**15.000**	**(3.364)**	**146.113**
Total Long Term Borrowing	**496.806**	**45.550**	**(11.393)**	**530.963**
**Memo Item:				
Other Long Term Liabilities (OLTL)	**125.319**	**-**	**(4.423)**	**120.896**

- *The £0.550m "loan raised" figure relates to an arrangement between Mortlake and LB Ealing, where monies are passed on by Mortlake for investment by the Council on the Board's behalf*
- *Other Long Term Liabilities include PFI schemes which 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*



- *The above graph does not include the Mortlake loan of £1.918m.*

6.6 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 financial year was within the year end CFR of £778.560m. The table below shows the breakdown of the Council's total CFR.

Table 6: Capital Financing Requirement at 31 March 2018

Capital Financing Requirement	2016/17 Actual	2017/18 Actual
	£m	£m
CFR - General Fund	464.538	495.625
CFR - Housing Revenue Account	148.341	162.800
Other Long Term Liabilities - PFI	120.618	120.135
Total CFR	**733.497**	**778.560**

Debt Rescheduling

6.7 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.

6.8 No debt rescheduling opportunities have arisen during the year, as the cost of premium to repay debt outweighs savings that could be achieved from the lower PWLB borrowing rates.

PWLB Certainty Rate

6.9 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 the Council to borrow at a reduction of 0.20% on the Standard Rate. The Council has applied and qualified to borrow at the preferential certainty rate.

7. Treasury Management Update Outside the Reporting Period

7.1. There is no information to update on activities that have occurred outside of 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 senior management, the portfolio holder for Finance and the Treasury Risk and Investment Board (TRIB) which is chaired by the Executive Director of Corporate Resources.

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.

Training

8.4 Members will receive a refresher training on Treasury Management at an Audit Committee meeting. This is to ensure they maintain the relevant knowledge and skills to fulfil their scrutiny role in the most effective manner.

8.5 The Council has adopted and will continue to maintain the following reporting structure:

Report	Full Council	Audit Committee
Annual Treasury Management Strategy (Feb 2019)	✓	
Treasury Management Strategy updates or revisions as and when required	✓	
Annual Review of Treasury Management Strategy (March 2019)	✓	
Treasury Management Performance (Q1)		✓
Mid-Year Treasury Management Update (Q2)	✓	✓
Treasury Management Performance (Q3)		
Treasury Management Outturn	✓	✓

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 net outturn position for 2017/18 shows that the treasury function operated within budget over the reporting period.

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. The Council’s treasury management prudential indicators outturn position for 2017/18 is attached in Appendix 2.

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 for the financial year 2017/18, and the PWLB borrowing was monitored throughout the year, the budgeted rate was 5.00%. 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 – Treasury Management Strategy 2017-18

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	Director of Finance (Deputy S151)	10/07/2018	11/07/2018	Throughout
Pat Main	Acting Head of Corporate Finance	10/07/2018		
Paddy Quill Helen Harris	Legal	15/07/2018		
Cllr Bassam Mahfouz	Portfolio Holder for Finance & Leisure	11/07/2018	12/07/2018	Throughout
Cllr Tim Murtagh	Chair, Audit Committee	09/07/2018		

Report History

Decision type: For Action/Information	**Urgency item? No**

Authorised by Cabinet member:	**Date report drafted:** 09/07/2018	**Report deadline:** 16/07/2018	**Date report sent:**

Report no.:	**Report author and contact for queries:**
	Bridget Uku, Group Manager - Treasury & Investments ext 5981 Tim Mpofu, Treasury & Investments Accountant ext 8083

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.