Report for: Full Council
FOR INFORMATION
Item Number:

Contains Private and Confidential Information	**No**
Title	**Treasury Management Outturn 2019/20**
Responsible Officer	Ross Brown: Chief Finance Officer (S151 Officer)
Author(s)	Bridget Uku, *Group Manager Treasury & Investments* Tel: 020 8825 5981 E-mail: ukub@ealing.gov.uk Amalio Alcazar, *Treasury & Investments technician* Tel: 020 8825 6589 Email: alcazara@ealing.gov.uk Bhavika Patel, *Treasury & Investments technician* Tel: 020 8825 6215 Email: Patelbha@ealing.gov.uk
Portfolio	Cllr Bassam Mahfouz – Finance & Leisure
For Consideration By	Audit Committee
Date to be Considered	28 July 2020
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 2020. 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 2019/20, 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 2019/20.

1. Recommendations

Members recommended to:

1.1 Note the Treasury Management activities and performance against targets for the period to 31 March 2020.

1.2 Note the Council's investment balance of £191.800m as at 31 March 2020 of which £161,000m was invested in other Local Authorities (set out in Appendix 1).

1.3 Note the Prudential Indicators outturn for 2019/20. These have all be maintained within the limits set by full Council in February 2019 (set out in Appendix 2).

2. Reason for Decision and Options Considered

2.1 This report updates on both the borrowing and investment 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 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 decrease its base rate from 0.50% to 0.10%.
- Long term borrowing of £20m was raised during the year to March 2020.
- The existing long term debt to fund capital expenditure increased from £618.704m to £632.352m during the financial year, and £6.7024m of existing loans from the Public Works Loan Board (PWLB) matured within the financial year 2019/20. The consolidated rate of interest on borrowing was 3.78%.
- The council earned an average investment return of 0.870 % on short term investments, outperforming the rolling average 7 Day LIBID rate of 0.577%.
- The council currently holds no direct investments with overseas financial institutions, though these are held indirectly through the council's Money Market Funds (MMF).
- 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 2019/20

3.1 The Council's Treasury Management Strategy for 2019/20 was approved on 19 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 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 2020.

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 2019, 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.

3.3 The Treasury Management Strategy is reviewed monthly 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 financial year 2019/20:

- Brexit.
- The UK economy grew by 1.1% in 2019.
- Consumer Price Index has ranged between 1.5 to 2%.
- The annual rate of growth in the Eurozone for 2019 was 1.8%
- US economy grew by 2.9% in 2019.

4.2 UK. Brexit. The main issue in 2019 was the ongoing uncertainty surrounding Brexit. Following the general election, the approved date to leave the EU was settled as the 31 January 2020. However, this still leaves much uncertainty as to whether there will be a reasonable trade deal achieved by the target deadline of the end of 2020, especially with the ongoing pandemic.

4.3 **Economic growth** in 2019 has been volatile with quarter 1 unexpectedly strong at 0.5%, quarter 2 worse at -0.2%, quarter 3 bouncing back up to +0.5% and quarter 4 flat at 0.0%, +1.1% y/y. 2020 started with optimistic business surveys pointing to an upswing in growth after the ending concerning Brexit. However, the coronavirus outbreak has substantially changed the economic position and outlook**.** UK GDP fell by 20.4% in June, though rising marginally in May is expected to fall by at least 15% in June. The progression of the pandemic and solutions around possible vaccine/cure will determine how quickly the economy will recover.

4.4 After the Monetary Policy Committee raised Bank Rate from 0.5% to 0.75% in August 2019, two emergency cuts in Bank Rate from 0.75% occurred in March, first to 0.25% and then to 0.10%. These cuts were accompanied by an increase in quantitative easing (QE), essentially the purchases of gilts (mainly) by the Bank of England of £200bn. The Government introduced various schemes to subsidise both employed and self-employed jobs for three months while the country is locked down. It also put in place a raft of other measures to help businesses access loans from their banks, (with the Government providing guarantees to the banks against losses). The UK annual budget deficit will increase from 2%, to nearly 11%, likewise the ratio of debt to GDP is likely to increase from 80% to around 105%.

4.5 Inflation has posed little concern for the MPC during the last year, being mainly between 1.5 – 2.0%.

4.6 UK Employment had been growing healthily through the last year, but it is obviously heading for a big increase.

4.7 USA. The US is also facing its own economic challenges and had been seeing slower growth in 2019 which led to the Fed cutting rates from 2.25-2.50% by 0.25% in each of July, September and October. Once the pandemic took hold the Fed took cut rates twice by 0.50%, and then 1.00%, in March, all the way down to 0.00 – 0.25%. Congress agreed a $2trn stimulus package along with other measures including cash payments of $1,200 to individuals.

4.8 EUROZONE. The annual rate of GDP growth has been steadily falling, from 1.8% in 2019 to only 0.9% y/y in quarter 4 in 2019. The downturn in EZ growth, together with inflation falling well under the upper limit of its target range prompted the ECB to take new measures to stimulate growth. In March 2019 the ECB had provided cheap loans to banks. Once coronavirus started having an impact in Europe, the ECB expanded its QE operations and took other measures to help promote expansion of credit and economic growth.

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 2019/20 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. Officers have suspended investments to other Councils in view of the financial difficulties the sector is facing as a result of the pandemic. A summary of the institutions to which the Council invested or can invest 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 Funds

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 2020

Description	Investments	Borrowing	Net Position
	£m	£m	£m
Outstanding 1 April 2019	**207.470**	**-**	**207.470**
Raised during period	**1,389.810**	**(25.000)**	**1,364.81 0**
Repayments during period	**(1,405.480)**	**20.000**	**(1,385.480)**
Outstanding 31 March 2020	**191.800**	**(5.000)**	**186.800**

**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 2020, 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 2019 was £186.800m.

5.6 There £5m borrowing outstanding at 31 March 2019. The average rate of interest on temporary borrowing during the year was 1.04% with an average length of 73 days.

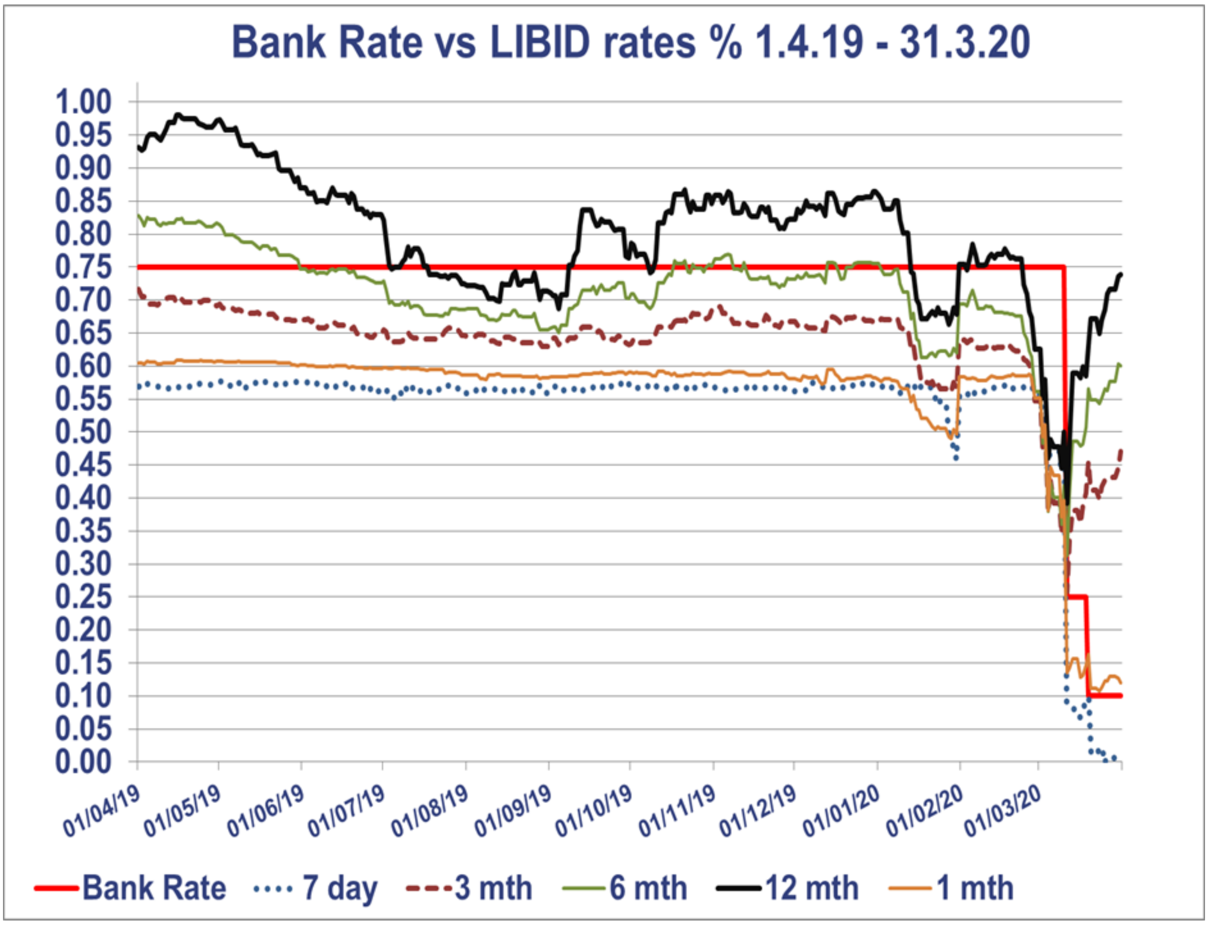
5.7 The Council has an agreement with West London Waste Authority (WLWA) and the Board of Mortlake Crematorium to invest funds on behalf of the organisations. The total funds under the arrangement at 31 March 2020 were £20.243m (£17.500m WLWA and £2.743m Mortlake Crematorium).

Investment Rate 2019/20

5.8 The Bank of England Bank Rate remained at 0.75% for most of the year falling to 0.25% on 11 March, falling further to 0.01% on the 19th March. There have been no further changes since then.

5.9 Investment rates were little changed throughout the year but fell dramatically after the 11 March.

5.10 The graph below illustrates the investment rates movement over the course of 2019/20.



Investment Outturn

5.11 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.

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

Investments held by the Council

5.13 The Council maintained an average balance of £231.068m of internally managed funds and held an outstanding balance of £191.800m as at 31 March 2020. The internally managed funds earned an average rate of 0.877 %. The comparable performance indicator is the average 7-day LIBID rate, which returned 0.570%. This is illustrated in the table below.

Table 2: Performance vs Benchmark

Month	Council Performance	Benchmark Rate (7day LIBID rate)	Outperformance
Apr-19	0.894%	0.570%	0.324%
May-19	0.895%	0.570%	0.325%
Jun-19	0.895%	0.570%	0.325%
Jul-19	0.865%	0.570%	0.295%
Aug-19	0.860%	0.570%	0.290%
Sep-19	0.855%	0.570%	0.285%
Oct-19	0.856%	0.570%	0.286%
Nov-19	0.853%	0.570%	0.283%
Dec-19	0.902%	0.570%	0.332%
Jan-20	0.866%	0.570%	0.296%
Feb-20	0.883%	0.570%	0.313%
Mar-20	0.899%	0.570%	0.329%
Average	**0.877%**	**0.570%**	**0.307%**

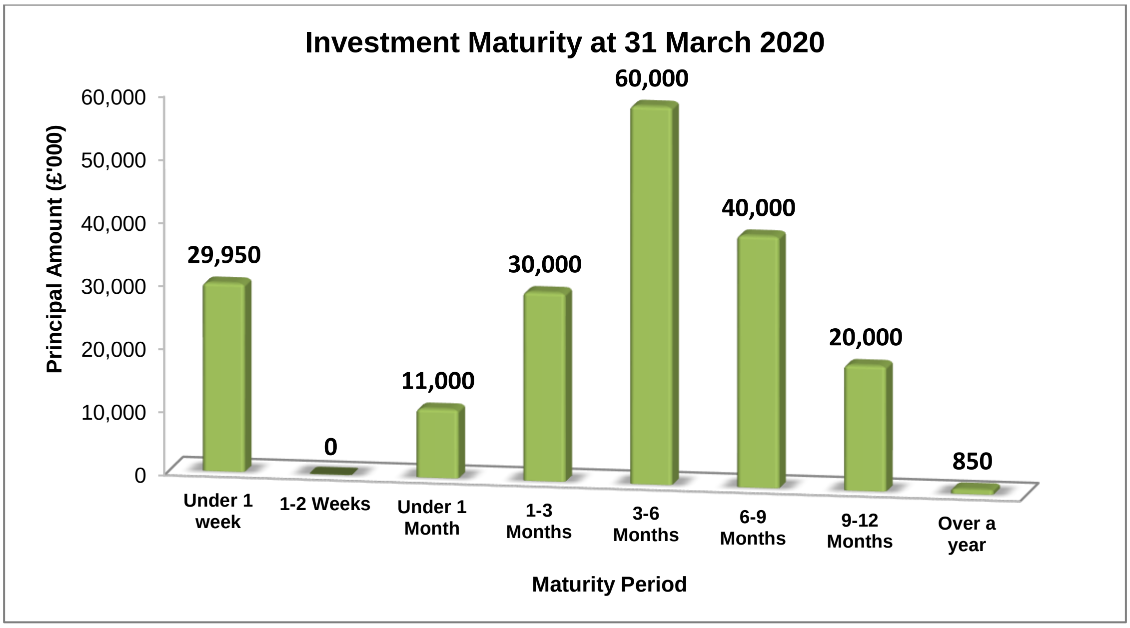
5.14 The ongoing uncertainties in the economic environment during the year meant that the Council continued to place investments in shorter term deposits and with high quality counterparties. However, there were some longer-term deposits placed with other local authorities.

Table 3: Treasury Investment Portfolio at 31 March 2020

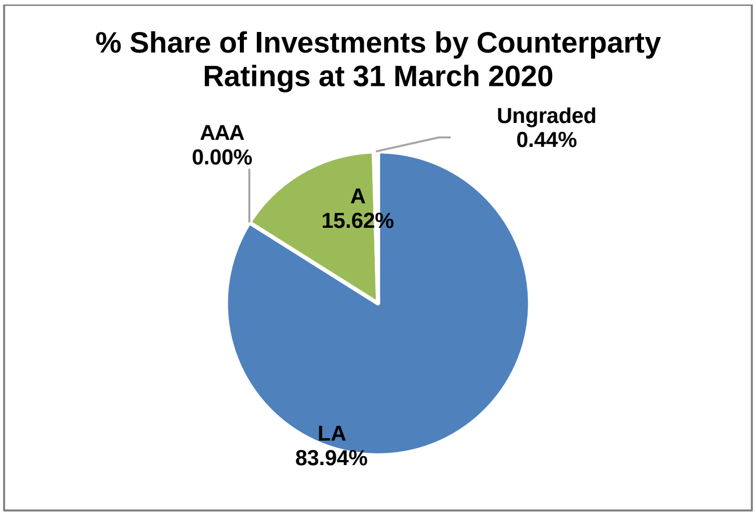
Counterparty Name	Total Investments at 31/03/2019	Total Investments at 31/03/2020
	£m	**£m**
Local authorities	**148.000**	**161.000**
Lloyds	**29.420**	**29.950**
Nationwide Building Society	**5.000**	**-**
Debt Management Office	**24.200**	**-**
Other	**0.850**	**0.850**
Total Investments	**207.470**	**191.800**

- *Other investments include £0.600m investment in Future Ealing Ltd and £0.250m in Gunnersbury Estate CIC.*

5.15 The Council continues to place investments with several local authorities which are of high credit quality and are therefore on the Council's approved list of counterparties. The Council had 38 investments placed across several local authorities to the sum of £161.000m.



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



- *Ungraded includes Future Ealing of 0.13% and Ealing Community of 0.31%. AA, A, A+ – Fitch Credit Rating*

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 year. Over the course of the year to 31 March 2020, the Council's borrowing requirements were financed through both external and internal borrowing.

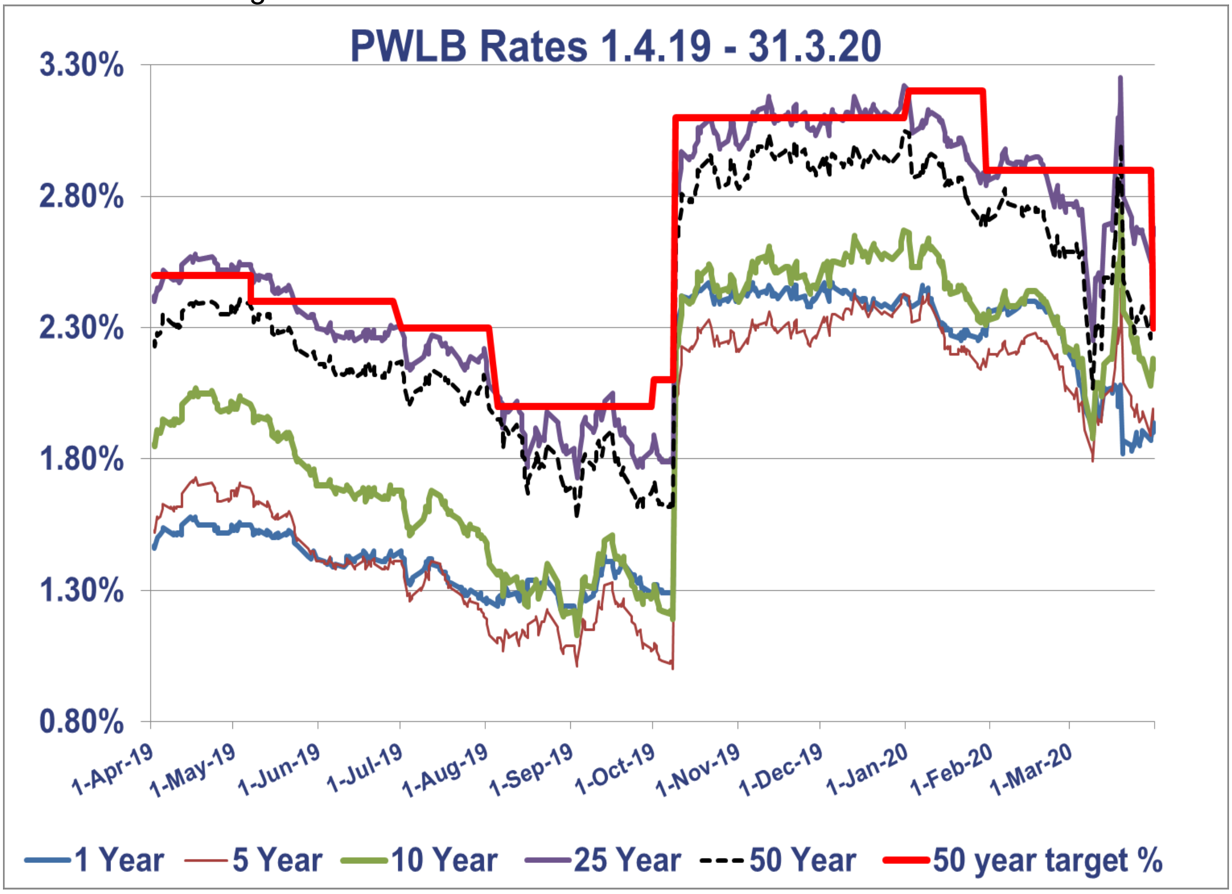
Borrowing Rates during 2019/20

6.2 The Council budgeted for an average interest rate of 3.85% on long term borrowing reflecting the overall Consolidate Rate of Interest for all debt. The table below by way of reference shows the ranges of PWLB interest rates during the financing year.

Table 4: PWLB Interest Rates Ranges

Period	High	Low	Rate at 31 March 2019
5 Year Maturity	2.42%	1.19%	1.99%
10 Year Maturity	2.61%	1.41%	2.18%
25 Year Maturity	2.98%	1.83%	2.68%
50 Year Maturity	3.03%	1.88%	2.42%

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. There was a large increase in October with a slight fall in later months.



6.4 The Council raised £20m of PWLB borrowing during 19/20 to take advantage of the good value levels of long term borrowing rates. However, the Council still maintains an under-borrowing position of £49.40m and officers continue to monitor the position.

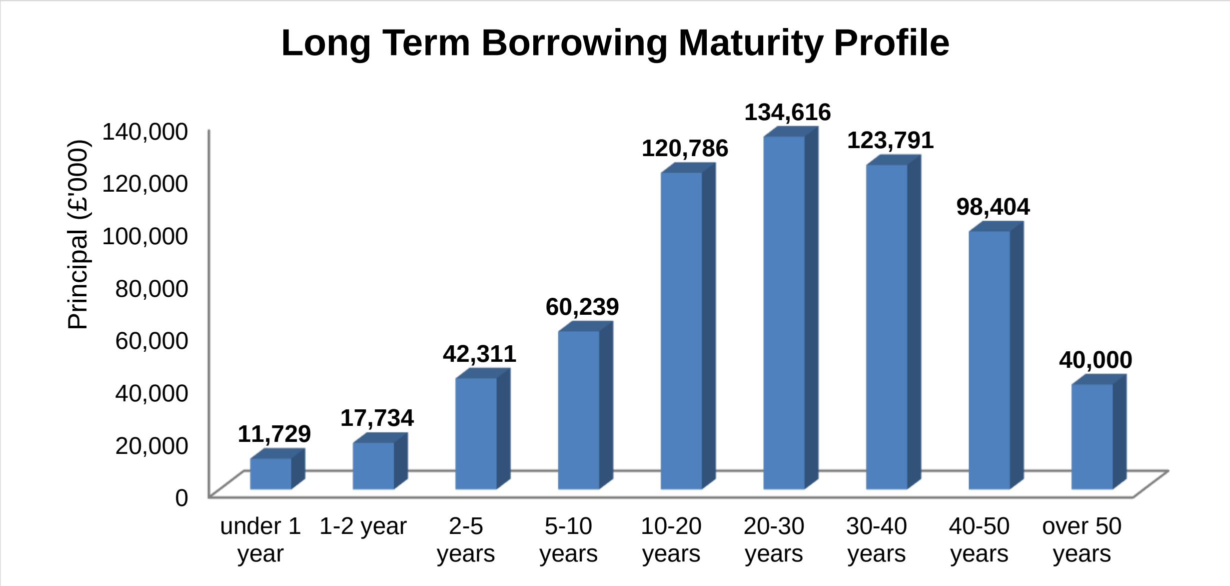
6.5 The total long term borrowing at 31 March 2020 was £632.352m (including Mortlake Crematorium Board). The following table shows the spilt between the General Fund and HRA borrowing, and that overall debt increased by £13.648m from £618.704m the previous year.

Table 5: External Debt

Source	Debt as at 31/03/2019	Loans raised	Loans repaid	Debt as at 31/03/2020
	£m	£m	£m	£m
General Fund				
PWLB	**396.942**		**(4.723)**	**392.219**
Market Loans	**62.016**			**62.016**
***Mortlake Crematorium**	**2.393**	**0.350**		**2.743**
Total General Fund	**461.351**	**0.350**	**(4.723)**	**456.978**
HRA				
PWLB	**131.369**	**20.000**	**(1.979)**	**149.390**
Market Loans	**25.984**	**-**	**-**	**25.984**
Total HRA	**157.353**	**20.000**	**(1.979)**	**175.374**
Total Long Term Borrowing	**618.704**	**20.350**	**(6.702)**	**632.352**
****Memo Item:**				
Other Long Term Liabilities (OLTL)	**115.185**	**-**	**(4.681)**	**110.504**

- **The £0.350m “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*

Long Term Maturity Profile



- *The above graph does not include the Mortlake loan of £2.743m*

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 less than the year end CFR of £792.252m, which resulted in internal borrowing of £49.40m. The table below shows the breakdown of the Council's total CFR.

Table 6: Capital Financing Requirement at 31 March 2020

Capital Financing Requirement	2018/19 Actual	2019/20 Actual
	£m	£m
CFR - General Fund	497.724	518.947
CFR - Housing Revenue Account	162.801	162.801
Other Long Term Liabilities - PFI	115.186	110.504
Total CFR	775.711	792.252

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.

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 Chief Finance 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.

Training

8.4 Members received a refresher training on Treasury Management at the March 2019 Audit Committee meeting. This is to ensure they maintain the relevant knowledge and skills to fulfil their scrutiny role in the most effective manner. Future training sessions will be arranged as an when required.

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 2020	✔	
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 2019/20 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 2019/20 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 2018/19, and the PWLB borrowing was monitored throughout the year, the budgeted rate was 4.4%. 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 pandemic and this is being considered 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 – Prudential Indicators 2019/20

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)	17/7/2020		
Simon Peet	Head of Technical Finance	17/7/2020		
Cllr Bassam Mahfouz	Portfolio Holder for Finance & Leisure			
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:
	14/07/2020	20/07/2020	20/07/2020

Report no.:	Report author and contact for queries:
	Bridget Uku, Group Manager - Treasury & Investments, ext 5981 Amalio Alcazar, Treasury & Investments Accountant, ext 6589 Bhavika Patel, Treasury & Investments Accountant, ext 6215

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.