Report for: Full Council FOR INFORMATION
Item Number: 8

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 2018/19**	
Responsible Officer	Ross Brown: Chief Finance Officer(S151 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, HRA Debt, Prudential Indicators	

Purpose of Report

This report outlines the Council's borrowing and investment activities for the financial year ending 31 March 2019. 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 2018/19, 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 2018/19.

1. Recommendations

Members recommended to:

1.1 Note the Treasury Management activities and performance against targets for the period to 31 March 2019.

1.2 Note the Council's investment balance of £207.470m as at 31 March 2019 of which £148.000m was invested in other Local Authorities (set out in Appendix 1).

1.3 Note the Prudential Indicators outturn for 2018/19. These have all be maintained within the limits set by full Council in February 2018 (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 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 increase its base rate from 0.50% to 0.75%.
- Long term borrowing of £100m was raised during the year to March 2019.
- The existing long term debt to fund capital expenditure increased from £530.963m to £618.704m during the financial year, and £12.734m of existing loans from the Public Works Loan Board (PWLB) matured with the financial year 2018/19. The consolidated rate of interest on borrowing was 4.12%.
- The council earned an average investment return of 0.714 % on short term investments, outperforming the rolling average 7 Day LIBID rate of 0.398%.
- 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 2018/19

3.1 The Council's Treasury Management Strategy for 2018/19 was approved on 20 February 2018 by Full Council. The strategy comprehensively outlined how the treasury function would operate throughout the financial year 2018/19 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 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.

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 2018/19:

- The UK economy grew by 1.4% in 2018.
- Consumer Price Index (CPI) inflation came in at 1.9% in 2018. The Bank expects this inflation to be slightly above 2% over the next two to three years.
- The annual rate of growth in the Eurozone for 2018 was 1.8%
- US economy grew by 2.9% in 2018.

4.2 After weak economic growth of only 0.2% in quarter one of 2018, growth picked up to 0.4% in quarter 2 and to a particularly strong 0.7% in quarter 3, before cooling off to 0.2% in the final quarter. Given all the uncertainties over Brexit, this weak growth in the final quarter was as to be expected. However, some recovery in the rate of growth is expected going forward. The annual growth in Q4 came in at 1.4% y/y confirming that the UK was the third fastest growing country in the G7 in quarter 4.

4.3 After the Monetary Policy Committee raised Bank Rate from 0.5% to 0.75% in August 2018, it is little surprise that they have abstained from any further increases since then. We are unlikely to see any further action from the MPC until the uncertainties over Brexit become clear. If there were a disorderly exit, it is likely that Bank Rate would be cut to support growth. Nevertheless, the MPC has been having increasing concerns over the trend in wage inflation which peaked at a new post financial crisis high of 3.5%, (excluding bonuses), in the three months to December before falling only marginally to 3.4% in the three months to January. British employers ramped up their hiring at the fastest pace in more than three years in the three months to January as the country's labour market defied the broader weakness in the overall economy as Brexit approached. The number of people in work surged by 222,000, helping to push down the unemployment rate to 3.9 percent, its lowest rate since 1975. Correspondingly, the total level of vacancies has risen to new highs.

4.4 CPI inflation has been on a falling trend since peaking at 3.1% in November 2017, reaching a new low of 1.8% in January 2019 before rising marginally to 1.9% in February. However, in the February 2019 Bank of England Inflation Report, the latest forecast for inflation over both the two and three year time horizons remained marginally above the MPC's target of 2%.

4.5 The US's significant easing of fiscal policy in 2018 fuelled a (temporary) boost in consumption in 2018 which generated an upturn in the strong rate of growth; this rose from 2.2%, (annualised rate) in quarter 1 of 2018 to 4.2% in quarter 2, 3.5% in quarter 3 and then back to 2.2% in quarter 4. The annual rate came in at 2.9% for 2018, just below the US's aim for 3% growth. The strong growth in employment numbers has fed through to an upturn in wage inflation which hit 3.4% in February, a decade high point. However, CPI inflation overall fell to 1.5% in February, a two and a half year low, and looks to be likely to stay around that number in 2019 i.e. below the Fed's target of 2%. The Fed increased rates another 0.25% in December to between 2.25% and 2.50%, this being the fourth increase in 2018 and the ninth in the upward swing cycle. However, the Fed now appears to be edging towards a change of direction and admitting there may be a need to switch to taking action to cut rates over the next two years. Financial markets are now predicting a number of cuts by the end of 2020.

4.6 The European Central Bank (ECB) provided massive monetary stimulus in 2016 and 2017 to encourage growth in the EZ and that produced strong annual growth in 2017 of 2.3%. However, since then the ECB has been reducing its monetary stimulus measures and growth has been weakening to 0.4% in quarters 1 and 2 of 2018, and then slowed further to 0.2% in quarters 3 and 4; it is likely to be only 0.1 - 0.2% in quarter 1 of 2019. The annual rate of growth for 2018 was 1.8% but is expected to fall to possibly around half that rate in 2019. The ECB completely ended its programme of quantitative easing purchases of debt in December 2018, which means that the central banks in the US, UK and EU have all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by purchases of debt. However, the downturn in growth, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), prompted the ECB to take new measures to stimulate growth. With its refinancing rate already at 0.0% and the deposit rate at -0.4%, it has probably reached the limit of cutting rates. At its March 2019 meeting it said that it expects to leave interest rates at their present levels "at least through the end of 2019", but that is of little help to boosting growth in the near term. Consequently, it also announced a third round of TLTROs; this provides banks with cheap borrowing every three months from September 2019 until March 2021 which means that, although they will have only a two-year maturity, the Bank is making funds available until 2023, two years later than under its previous policy. As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank's eligible loans.

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 2018/19 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 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 2019

Description	Investments	Borrowing	Net Position
	£m	£m	£m
Outstanding 1 April 2018	93.790	(10.000)	83.790
Raised during period	1,428.163	(10.000)	1,418.163
Repayments during period	(1,314.483)	20.000	(1,294.483)
Outstanding 31 March 2019	**207.470**	**0.000**	**207.470**

**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 2019, 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 £207.470m.

5.6 There was no temporary borrowing outstanding at 31 March 2019. The average rate of interest on temporary borrowing during the year was 0.80% with an average length of 130 days.

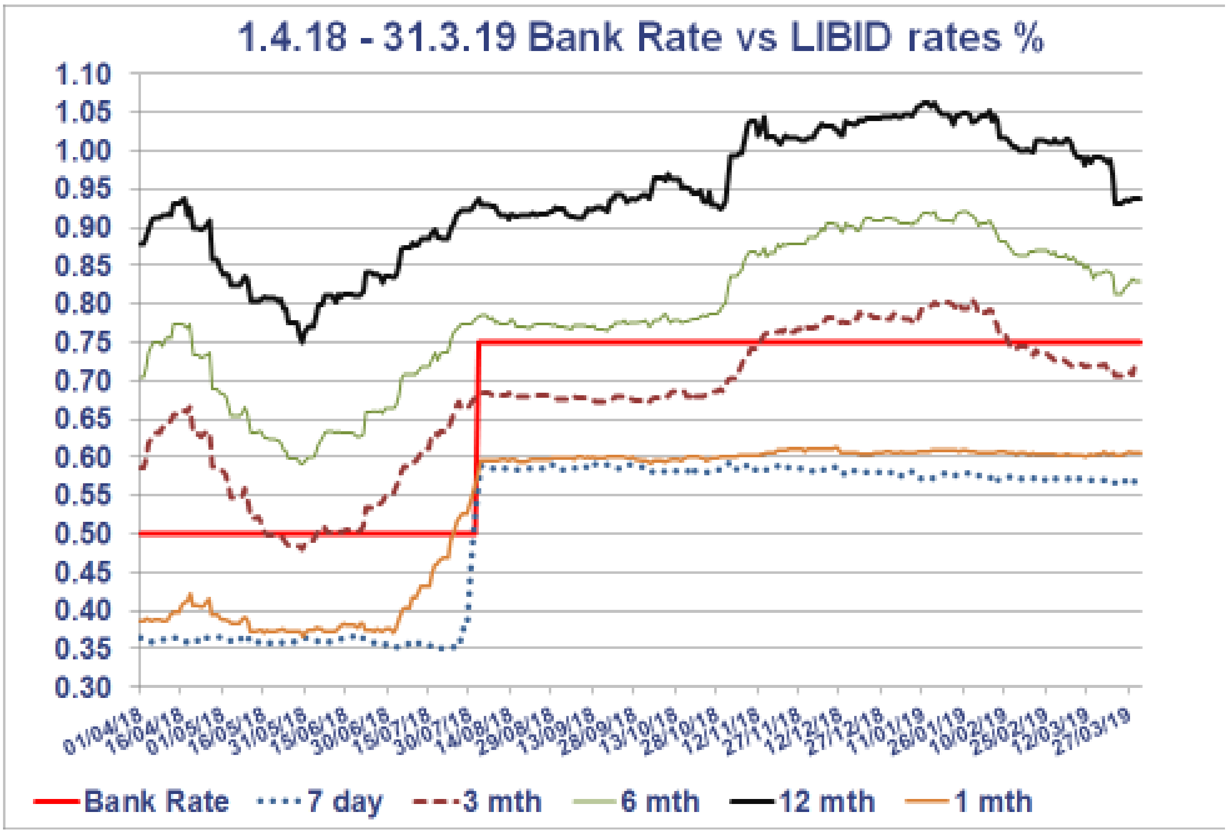
5.7 The Council has an agreement with West London Waste Authority (WLWA) and the Board of Mortlake Crematorium to invest funds on behalf of the organisations. The total funds under the arrangement at 31 March 2019 were £9.393m (£7.000m WLWA and £2.393m Mortlake Crematorium).

Investment Rate 2018/19

5.8 The Bank of England increased its Bank Rate from 0.50% to 0.75% in August 2018. There have been no further increases since then.

5.9 Investment rates were little changed during August to October but rose sharply after the MPC meeting of 1 November was unexpectedly hawkish about their perception of building inflationary pressures, particularly from rising wages. However, weak GDP growth data after December, plus increasing concerns generated by Brexit, resulted in investment rates falling back again.

5.10 The graph below illustrates the investment rates movement over the course of 2018/19.



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 £141.779m of internally managed funds and held an outstanding balance of £207.470m as at 31 March 2019. The internally managed funds earned an average rate of 0.714 %. The comparable performance indicator is the average 7-day LIBID rate, which returned 0.398%. This is illustrated in the table below.

Table 2: Performance vs Benchmark

Month	Council Performance	Benchmark Rate (7day LIBID rate)	Outperformance
Apr-18	0.497%	0.210%	0.287%
May-18	0.577%	0.210%	0.367%
Jun-18	0.602%	0.210%	0.392%
Jul-18	0.613%	0.360%	0.253%
Aug-18	0.678%	0.440%	0.238%
Sep-18	0.717%	0.440%	0.277%
Oct-18	0.733%	0.460%	0.273%
Nov-18	0.787%	0.470%	0.317%
Dec-18	0.809%	0.480%	0.329%
Jan-19	0.787%	0.490%	0.297%
Feb-19	0.868%	0.500%	0.368%
Mar-19	0.905%	0.510%	0.395%
Average	**0.714%**	**0.398%**	**0.316%**

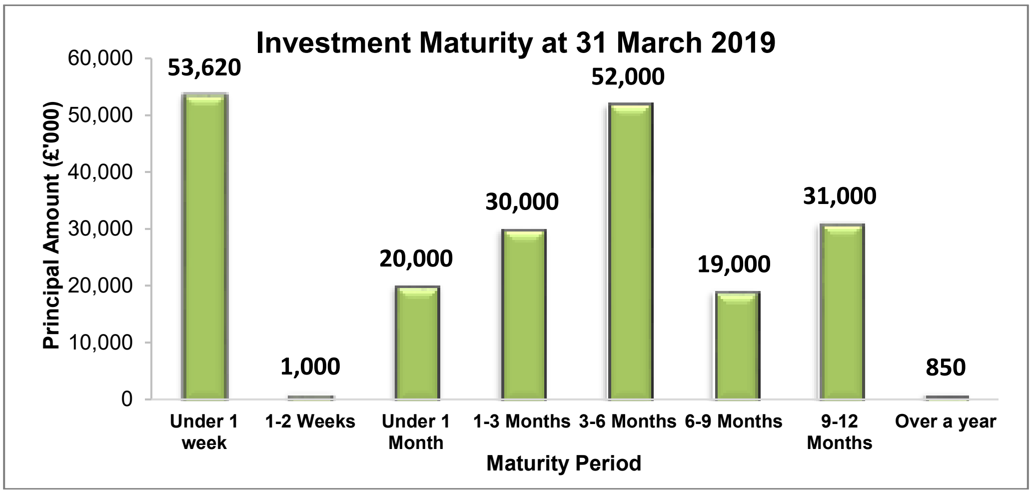
5.14 The ongoing uncertainties in the economic environment during the year meant that the Council continued to place investments in shorter term deposits and with high quality counterparties. However, there were some longer-term deposits placed with other local authorities.

Table 3: Treasury Investment Portfolio at 31 March 2019

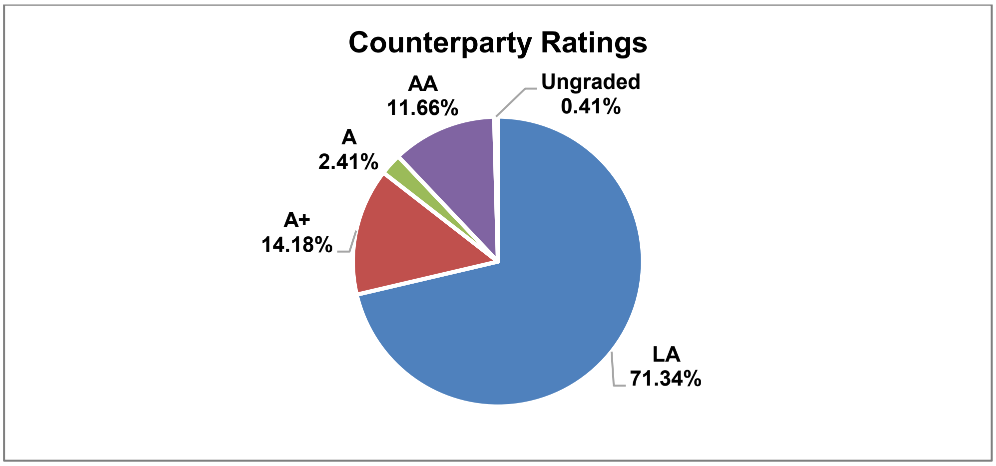
Counterparty Name	Total Investments at 31/03/2018	Total Investments at 31/03/2019
	£m	£m
Local authorities	49.500	148.000
HSBC	30.000	-
Lloyds	13.670	29.420
Nationwide Building Society	-	5.000
Debt Management Office	-	24.200
Other	0.620	0.850
Total Investments	93.790	207.470

- *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 considered to be of high credit quality and are therefore on the Council's approved list of counterparties. The Council had 33 investments placed across several local authorities to the sum of £148.000m



- *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 0.12% and Ealing Community of 0.29%.*
  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 2018 outlined the Council's long term borrowing strategy for the year. Over the course of the year to 31 March 2019, the Council's borrowing requirements were financed through both external and internal borrowing.

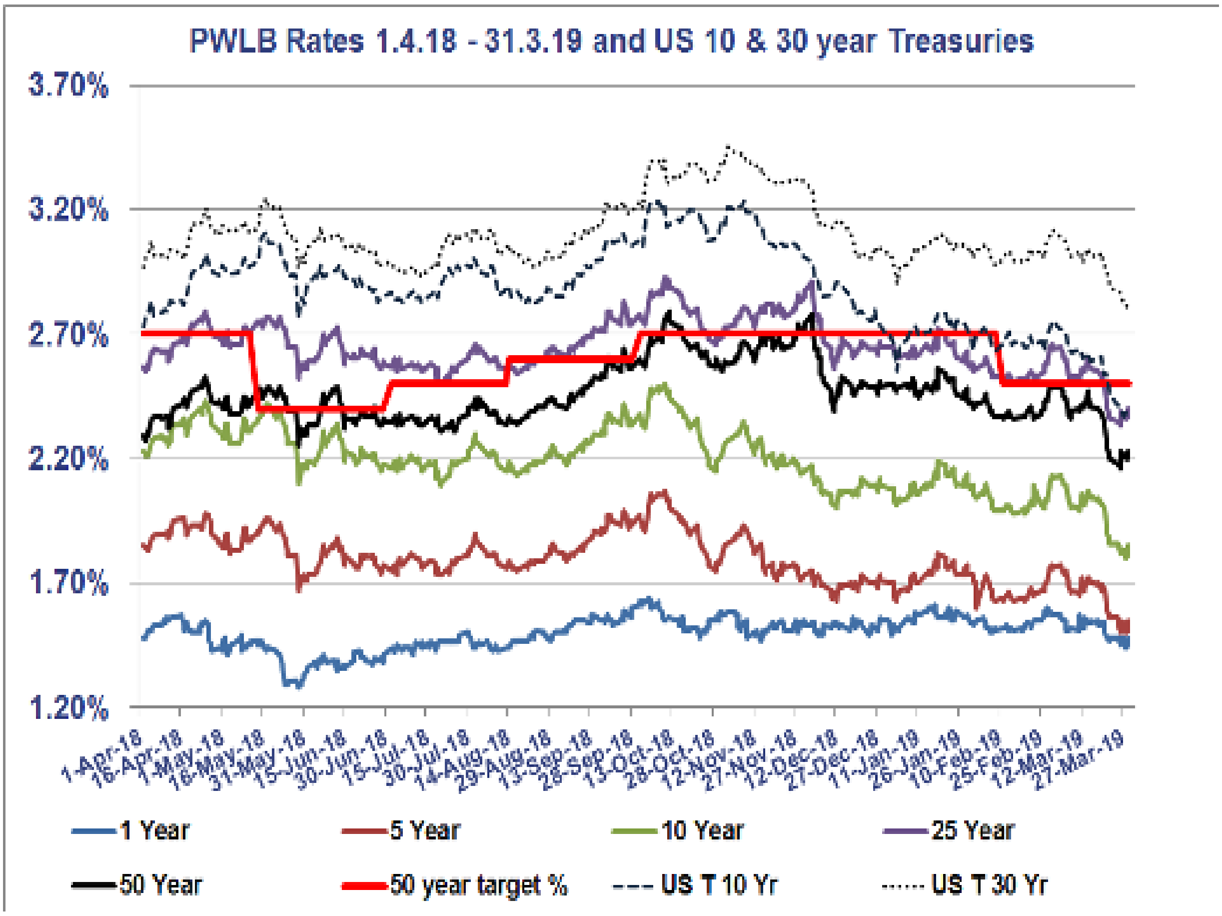
Borrowing Rates during 2018/19

6.2 The Council budgeted for an average interest rate of 4.4% 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	2.07%	1.50%	1.55%
10 Year Maturity	2.50%	1.80%	1.85%
25 Year Maturity	2.93%	2.33%	2.40%
50 Year Maturity	2.79%	2.16%	2.23%

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.



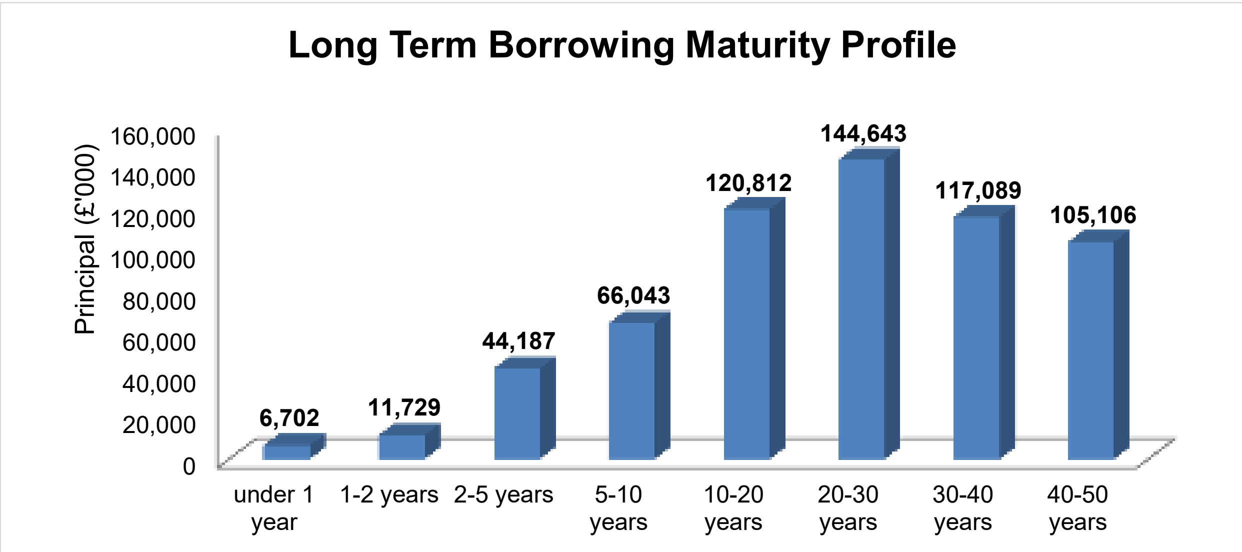
6.4 The Council raised £100m of PWLB borrowing during 18/19 to take advantage of the good value levels of long term borrowing rates. However, the Council still maintains an under-borrowing position of £41.830m and officers continue to monitor the position.

6.5 The total long term borrowing at 31 March 2019 was £618.704m (including Mortlake Crematorium Board). The following table shows the spilt between the General Fund and HRA borrowing, and that overall debt increased by £87.741m from £530.963m the previous year.

Table 5: External Debt

Source	Debt as at 31/03/2018	Loans raised	Loans repaid	Debt as at 31/03/2019
	£m	£m	£m	£m
General Fund				
PWLB	320.916	85.000	(8.974)	396.942
Market Loans	62.016	-	-	62.016
*Mortlake Crematorium	1.918	0.475	-	2.393
Total General Fund	384.850	85.475	(8.974)	461.351
HRA				
PWLB	120.129	15.000	(3.760)	131.369
Market Loans	25.984	-	-	25.984
Total HRA	146.113	15.000	(3.760)	157.353
Total Long Term Borrowing	530.963	100.475	(12.734)	618.704
**Memo Item:				
Other Long Term Liabilities (OLTL)	120.136	-	(4.367)	115.769

- **The £0.475m "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 £2.393m.*

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 £776.303m, which resulted in internal borrowing of £41.830. The table below shows the breakdown of the Council's total CFR.

Table 6: Capital Financing Requirement at 31 March 2019

Capital Financing Requirement	2017/18 Actual	2018/19 Actual
	£m	£m
CFR - General Fund	495.625	497.733
CFR - Housing Revenue Account	162.800	162.801
Other Long Term Liabilities - PFI	120.135	115.769
Total CFR	**778.560**	**776.303**

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

Market LOBO Loan £10m

7.1. In June 2019 one of the Councils 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.

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.

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 2018/19 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 2018/19 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 current Eurozone debt situation 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 2018/19
Appendix 3 – 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)			
Paddy Quill Helen Harris	Legal			
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:
	02/07/2019	12/07/2019	

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.