Report for: AUDIT COMMITTEE FOR INFORMATION	
Item Number: 6	

Contains Private and Confidential Information	**YES** (Appendix 3)	Pursuant to para. (3) of Schedule 12A of the Local Government Act 1972
Title	**Treasury Management Quarter 3 Update 2017/18**	
Responsible Officer	Ian O'Donnell: Executive Director of Corporate Resources. Ross Brown : Director of Finance	
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 Yvonne Johnson - Finance, Performance & Customer Services.	
For Consideration By	Audit Committee	
Date to be Considered	7 March 2018	
Implementation Date if Not Called In	N/A	
Affected Wards	N/A	
Area Committees	N/A	
Keywords/Index	Treasury, Borrowing, Lending, Investments.	

Purpose of Report
This report provides an update on the Council's borrowing and investment activities for the quarter ending 31 December 2017.

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

1. Recommendations

Members are recommended to:

1.1 Note the Treasury Management activities and performance against targets for the period to 31 December 2017.

1.2 Note the Council's investment balance of £102.340m as at 31 December 2017 of which £32.000m was invested in other Local Authorities (set out in Appendix 1).

1.3 Note the Council's Treasury Management Strategy 2017-18, which was approved by Full Council on 20 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 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 The key messages from this report are that:

- All treasury management activities were executed by authorised officers within the parameters agreed by the Council.
- All investments were made to counterparties on the Council's approved Counterparty Investment list and within agreed limits.
- No long-term borrowing was raised during the period reporting to 31 December 2017. This borrowing has since been raised in February 2018.
- The existing long term debt decreased from £496.806m to £490.788m; there have been PWLB maturities of £11.393m in period to 31 December 2017.
- The council earned an average investment return of 0.359% on short term investments, outperforming the rolling average 7 Day LIBID rate of 0.121%.
- The council currently holds no direct investments with overseas financial institutions, though these are held indirectly through the council's Money Market Funds (MMF) exposure.
- The HRA debt is managed separately from General Fund debt.

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

3. Treasury Management Strategy 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 we will invest surplus cash and the council's policy on long term borrowing and limits on debt. The Council complied with the strategy during the period to 31 December 2017.

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 on a monthly basis 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 third quarter of the financial year 2017/18: -

- UK growth in the third quarter increased to 0.40%.
- Consumer Price Index (CPI) inflation came in at 3.1% in November. After the Bank of England revised its inflation forecast, the Bank rate was increased to 0.5% on the 2nd of November 2017.
- Unemployment fell to 4.3% - the lowest level since 1975.
- EU inflation in September came in at 1.2%. Therefore, an upswing in the ECB bank rate is unlikely until possibly 2019.
- US economy grew by 3.2% in the third quarter of the year.

4.2 After surprisingly strong growth in 2016, the UK economy's growth in 2017 has been disappointingly weak; quarter 1 came in at only +0.30% (*+1.70% y/y*) and quarter 2 was +0.30% (*+1.50% y/y*) which meant that growth in the first half of 2017 was the slowest for the first half of any year since 2012. The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the referendum.

4.3 However, growth picked up in quarter 3 to 0.40% and there have been encouraging statistics from the manufacturing sector which is seeing strong growth, particularly as a result of increased demand for exports. This has been supported by significant growth over the last year in the EU, the UK's main trading partner. However, this will have a more muted effect on the average Gross Domestic Product (GDP) growth figure for the UK economy as it accounts for only around 11% of GDP.

4.4 The Monetary Policy Committee (MPC) meeting of 14 September 2017 surprised markets and forecasters by suddenly switching to a much more aggressive tone in terms of its words around warning that the Bank Rate will need to rise. CPI inflation came in at 3.1% in November, in line with the Bank of England's (BoE) revised forecast for the rate to peak at about 3%.

4.5 There was an emerging view that the amount of spare capacity in the economy was diminishing towards a point at which action from BoE is needed. This was due to unemployment falling to 4.3%, the lowest level since 1975, and weak levels of productivity. It was therefore no surprise that the MPC increased the Bank Rate by 0.25% to 0.50% in November 2017.

4.6 In addition, the MPC took a more tolerant view of low wage inflation due to increasing globalisation pressures which appears to be a common factor in nearly all western economies. However, the BoE was also concerned that the withdrawal from the EU would effectively decrease such globalisation pressures in the UK, therefore leading to an inflationary labour market over the next few years.

4.7 According to some forecasters, growth is expected to improve significantly in 2018 as the fall in inflation will bring an end to the negative impact on consumer spending power. If this scenario were to materialise then the MPC would have added reason to embark on a series of slow but gradual increases in Bank Rate during 2018. However, there is much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, that it is far too early to be confident about how the next two years will pan out.

4.8 Economic growth in the EU has been lack lustre for several years. Despite providing massive monetary stimulus, the European Central Bank is still struggling to get inflation up to its 2% target and in November inflation was only 1.2%. 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 3.2% in the third quarter of the year. Unemployment has also fallen to the lowest level for many years, reaching 4.1%

while wage inflation pressures, and inflationary pressures in general have been building.

Economic Forecast

4.10 The Council's treasury advisor, Link Asset Services, has provided the following forecasts:

Table 1 – Interest Rate Forecasts

	Mar-18 %	Jun-18 %	Sep-18 %	Dec-18 %	Mar-19 %	Mar-20 %	Mar-21 %
Bank of Rate							
Link	0.50	0.75	0.75	1.00	1.00	1.25	1.50
Capital Eco.	0.50	0.75	1.00	1.25	1.25	2.00	2.25
5yr PWLB Rate							
Link	1.60	2.00	2.10	2.10	2.20	2.40	2.60
Capital Eco.	1.70	1.90	2.10	2.40	2.40	2.40	2.60
10yr PWLB							
Link	2.20	2.50	2.60	2.70	2.70	3.00	3.20
Capital Eco.	2.20	2.40	2.60	2.80	2.80	2.80	3.00
25yr PWLB							
Link	2.90	2.90	3.00	3.10	3.20	3.40	3.60
Capital Eco.	2.60	2.90	3.10	3.30	3.30	3.35	3.50
50yr PWLB							
Link	2.60	2.70	2.80	2.90	3.00	3.20	3.40
Capital Eco.	2.50	2.70	2.90	2.90	2.90	3.15	3.30

Link Asset Services undertook its last review of interest rate forecasts on 13 February 2018, after the quarterly Bank of England Inflation Report and MPC meeting. The MPC highlighted a change in their attitude to place more importance in achieving the 2% target within the 18 – 24 month time horizon. This implies that the MPC are on guard to raise rates "earlier and greater than anticipated".

Capital Economics also share a similar view with regards to an increase in the Bank Rate although they anticipate the MPC to be more aggressive in their approach.

The overall balance of risks to economic recovery in the UK is probably currently to the downside due to the uncertainties around Brexit; however, given those uncertainties, there is a wide diversity of possible outcomes for the strength of economic growth and inflation, and the corresponding speed with which Bank Rate could go up

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 365 days or less) over the period is set out below:

Table 2: Overall Treasury Cash Flow Position as at 31 December 2017

Description	Investments	Borrowing	Net Position
	£m	**£m**	**£m**
Outstanding 30 September 2017	104.660	0.000	104.660
Raised during period	266.380	(20.000)	246.380
Repayments during period	(268.700)	0.000	(268.700)
Outstanding 31 December 2017	**102.340**	**(20.000)**	**82.340**

5.5 Ove the period to 31 December 2017, the Council's cash flows were maintained through borrowing and investment activities on the wholesale money market and the net investment position at 31 December 2017 was £82.340m.

5.6 Temporary borrowing of £20.000m was raised during the period to cover short term cash flow requirements. There were no repayments during the period therefore; £20.000m of temporary borrowing was outstanding at 31 December 2017.

5.7 Members are advised that the Council continues to place investments with several local authorities and these are considered to be of high credit quality and are therefore on the Council's approved list of counterparties. In the DCLG's Investment Guidance issued to Councils, Local Authority deposits are deemed to offer "high security and high liquidity". The Council had 9 investments placed across several councils totaling £32.000m as at 31 December 2017, these are set out in Appendix 1.

5.8 The Council's total investments held at 31 December 2017 are outlined below:

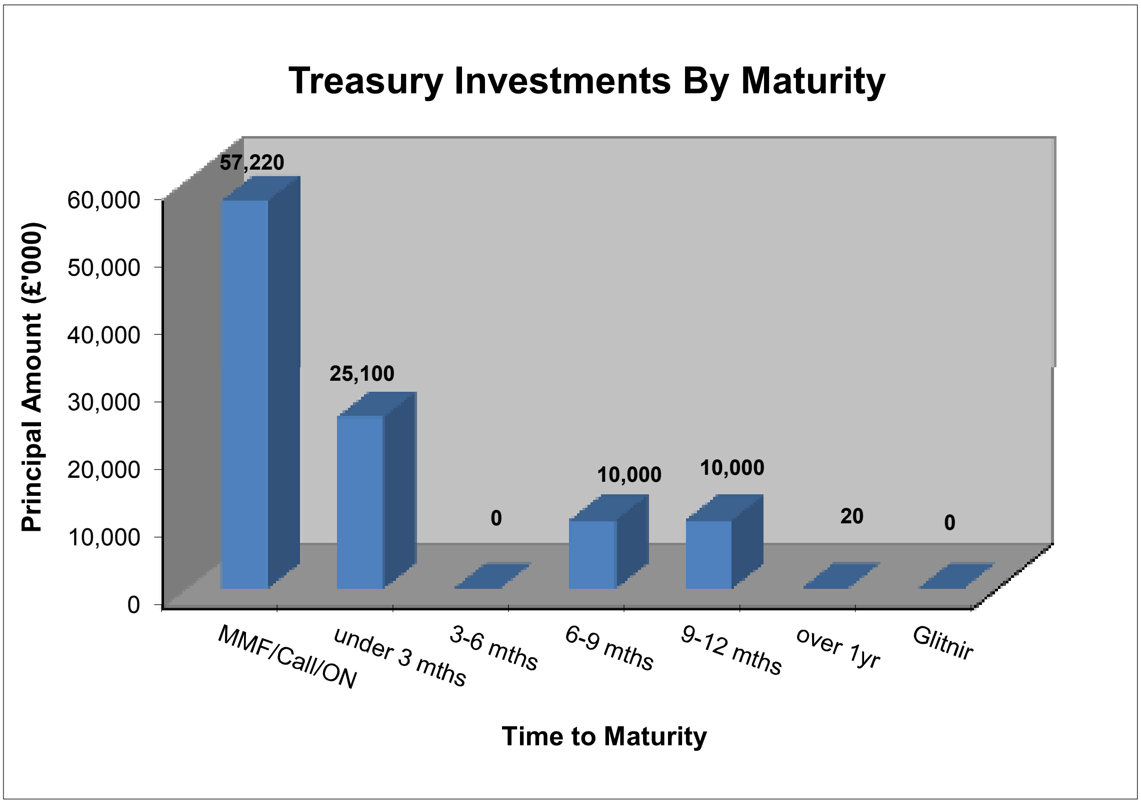
Table 3: Treasury Investment Portfolio

Counterparty Name	Total Investment as at 30/09/2017	Total Investments at 30/12/2017
	£m	£m
Local authorities	35.000	32.000
HSBC	30.000	30.000
Lloyds	2.050	19.470
Barclays	-	-
Nationwide Building Society	14.290	12.500
Debt Management Office	-	-
Money Market Funds	22.700	7.750
Other	0.620	0.620
Total Investments	**104.660**	**102.340**

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

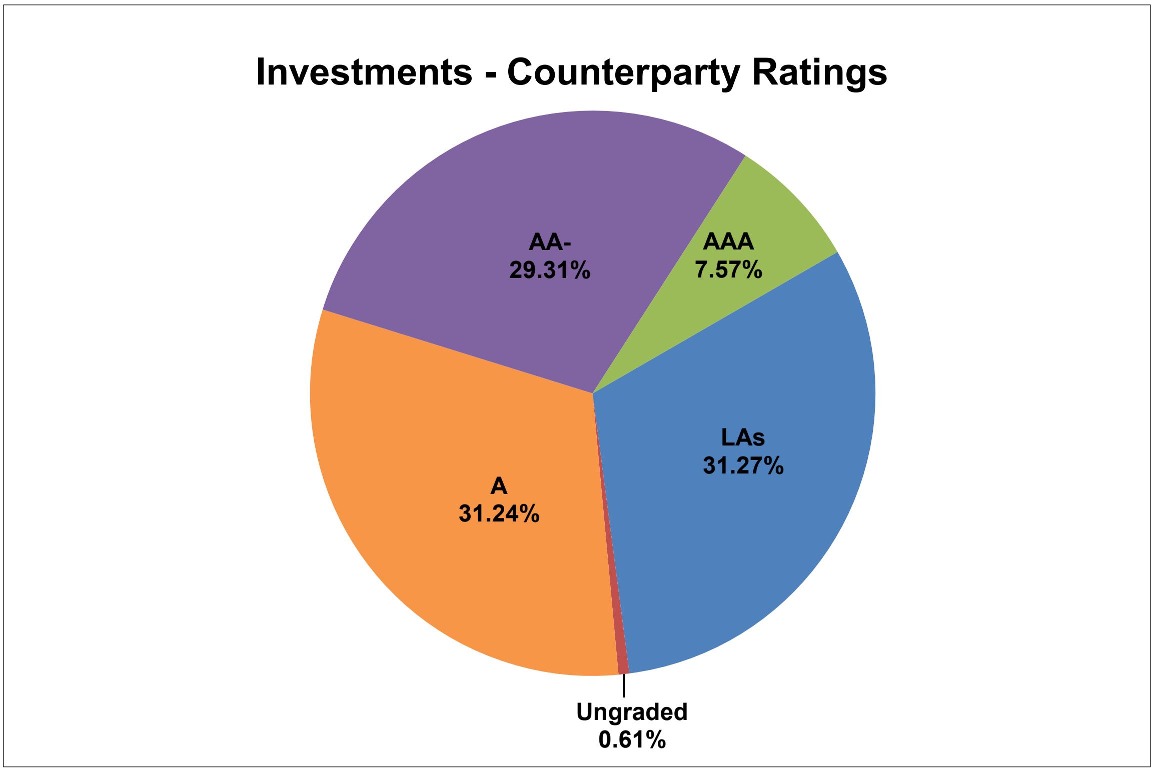
5.9 Investment activities during the quarter conformed to the approved strategy, and the Council did not experience any liquidity difficulty.

Investment Maturity Profile at 31 December 2017



- *The Council currently has one investment that has a maturity period of over one year – Ealing Community Resource Centre Ltd.*

Investments by Counterparty Rating at 31 December 2017



- *Ungraded includes Future Ealing of 0.58% and Ealing Community of 0.03% AA, A – Fitch credit rating*

5.10 The Council's investment returns outperformed the benchmark (7 day LIBID rate) during the reporting period. The table below outlines this performance.

Table 4: 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%	0.212%
June 2017	0.352%	0.112%	0.241%
July 2017	0.327%	0.112%	0.215%
August 2017	0.301%	0.112%	0.188%
September 2017	0.322%	0.112%	0.211%
October 2017	0.335%	0.112%	0.223%
November 2017	0.423%	0.140%	0.283%
December 2017	0.481%	0.160%	0.321%
Average	**0.359%**	**0.121%**	**0.239%**

5.11 The Council maintained an average balance of internally managed funds of £130.55m (gross of short term borrowing) over the nine months and had an outstanding balance of £102.340m as at 31 December 2017. The internally managed funds earned an average rate of return of 0.359%, whilst the comparable performance indicator, the average 7-day LIBID rate, returned 0.121%. The Council's key investment philosophy remained the prudent approach to counterparty selection and an emphasis on security of capital and liquidity ahead of yield.

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

5.13 This does mean that the authority has indirect exposure to foreign institutions, but officers feel it is prudent for the authority to diversify away from the current UK focused stance. As at 31 December 2017, the outstanding balance of MMFs investments was £7.750m.

5.14 There are some changes to the rules around MMF's (due 2019) which officers will update on at a future meeting. The constant Net Asset Value (NAV) MMF which we currently invest in will no longer be available. There will be three types of funds, a Variable NAV, a public debt constant NAV and a Low Volatility NAV money market fund.

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.

6.2 The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR).

6.3 Total long term borrowing stood at £490.788m (including Mortlake Crematorium Board Loan) as at 31 December 2017. The following table shows the split between General Fund and HRA borrowing, which decreased by £4.423m overall for the period ending 31 December 2017.

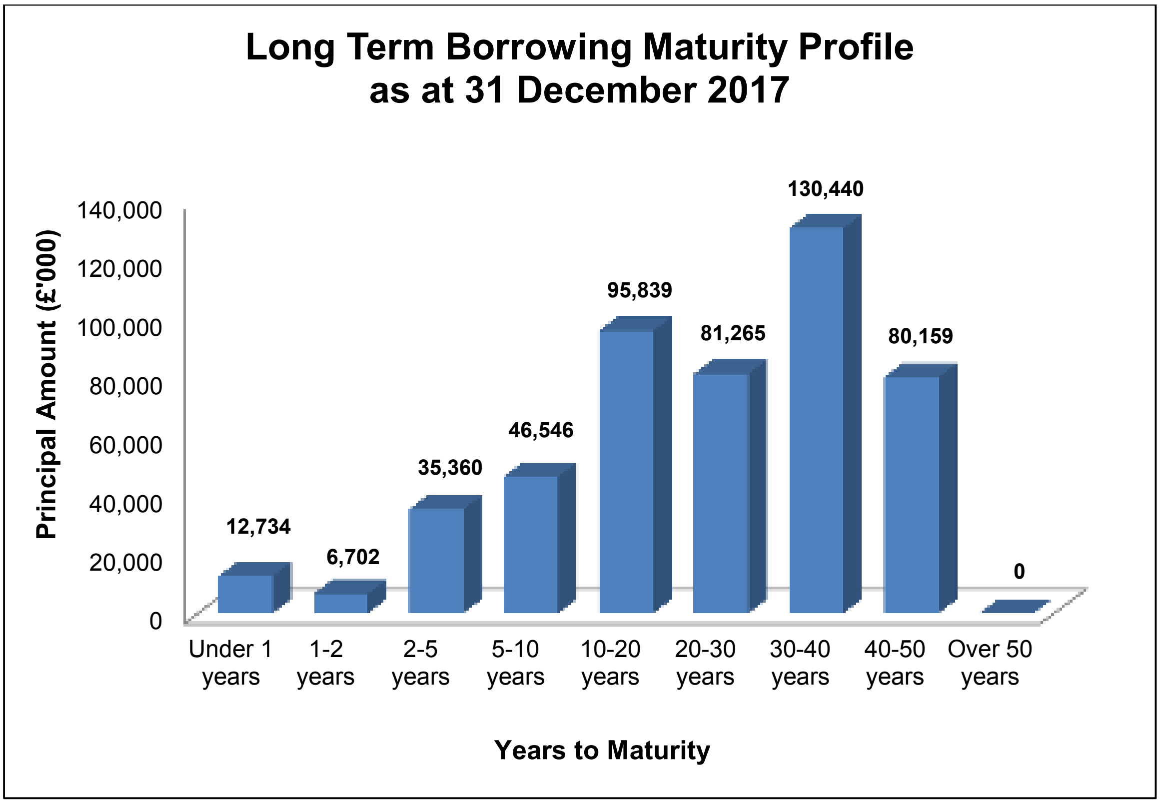
Table 5: External Debt

	Debt as at 31/03/17	Loans raised	Loans repaid	Debt as at 31/12/17
	£m	£m	£m	£m
General Fund				
*PWLB	298.945	5.000	(8.029)	295.916
Market Loans	62.016	-	-	62.016
**Mortlake Crematorium	1.368	0.375	-	1.743
Total General Fund	**362.329**	**5.375**	**(8.029)**	**359.675**
HRA				
PWLB	108.493	-	(3.364)	105.129
Market Loans	25.984	-	-	25.984
Total HRA	**134.477**	**0.000**	**(3.364)**	**131.113**
Total Long Term Borrowing	**496.806**	**5.375**	**(11.393)**	**490.788**
***Memo Item:				
Other Long Term Liabilities (OLTL)	**128.530**	**-**	**(4.423)**	**124.107**

Notes:

**The £5.000m loan raised during the period is for 4 years at an interest rate of 1.18%*
***The £0.375m 'loan raised' figure relates to monies which are transferred by Mortlake Crematorium Board for investment by the Council on the Board's behalf*
****Other Long Term Liabilities (OLTL) are shown on the balance sheet as long term creditors and are not classified under accounting rules as debt so are shown as a memo item here for completeness.*

6.4 The Council's actual borrowing at the end of the third quarter was within the anticipated year-end Capital Financing Requirement (CFR) including Other Long Term Liabilities (OTLT) of £778.405m. Although £5.000m long term borrowing was raised in the second quarter to take advantage of the low interest rate, the actual borrowing is behind the Council's CFR hence there remains an element of internal borrowing.



- *The above graph does not include the Mortlake loan of £1.743m.*

Debt Rescheduling

6.5 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 and following the increase in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010.

6.6 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

6.7 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

Bank of England Base Rate

7.1. At the MPC meeting of 2 November 2017 the bank increased the base to 0.50% as many had anticipated. This was in response to the higher level of inflation seen over the past year.

7.2. The Council's Treasury Management advisors, Link Asset Services (LAS) have in response to the above, issued an update (February 2018) to their interest rate forecast which included an increase in the Bank Rate to 0.75% in May 2018. This followed strong language from the February MPC meeting which suggested potentially two base rates increases in 2018.

7.3. The Council has since raised an additional £15.00m of new Long Term borrowing to take advantage of the low PWLB rates before the central banks return to a more normal monetary policy which would see an increase in Gilt yields and PWLB rates.

Table 6: Long Term Borrowing Raised Outside the Reporting Period

Loan	Maturity Date	General Fund	HRA	Interest Rate
PWLB 5-year duration	20 February 2023		10.000	1.96%
PWLB 8-year duration	20 February 2026	5.000		2.30%
Total		**5.000**	**10.000**	

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.

9. Financial implications

9.1 The Treasury Management outturn position has continued the trend of recent years, with lower financing costs and reduced spending mainly attributable to deferred borrowing and some slippage on the capital programme. However, with current market conditions starting to shift, the borrowing position is under constant review and the Council will consider new borrowing at appropriate times. The current forecast for 2017/18 shows finance costs to be on budget.

10 Prudential Indicators

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

10.2 The benefit of the indicators will be derived from monitoring them over time rather than from the absolute value of each. The indicators are not intended to be used as comparators between councils. An update on the prudential indicators will be provided with the 2017/18 outturn report.

11 Legal

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

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

12 Value For Money

12.1 Assessment of value for money is achieved through:

- Monitoring against benchmarks
- Operating within budget

12.2 For example internally managed investment returns exceeded the LIBID benchmark on the 31 December 2017 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
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	Director of Finance (Deputy S151)	23/02/2018	26/02/2018	
Pat Main	Acting Head of Corporate Finance	23/02/2018		
Paddy Quill Helen Harris	Legal	23/02/2018	26/02/2018	
Cllr Yvonne Johnson	Portfolio Holder for Finance, Performance & Customer Services	23/02/2018		
Cllr Tim Murtagh	Chair, Audit Committee	23/02/2018		

Report History

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

Authorised by Cabinet member:	**Date report drafted:** 20-02-18	**Report deadline:** 26-02-18	**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.