

Capital Programme 2016/2017 - Quarter 2

Appendix 2

Line No	SUMMARY	Initial Programme 2016/17	Approved variations	Approved Programme 2016/17	Proposed Programme 2016/17	Quarter 2 2016/17 spend	Remaining allocation
		£	£	£	£	£	£
1	HRA HOUSING INVESTMENT CAPITAL PROGRAMME						
2	New Homes	185,000	4,055,400	4,240,400	4,240,400	1,158,900	3,081,500
3	Improvements to Stock	4,840,000	258,770	5,098,770	5,098,770	1,056,990	4,041,780
4	Recreation & Playareas	50,000	12,590	62,590	62,590	39,110	23,480
5	Room in Roof Conversions	165,000	150,000	315,000	315,000	3,060	311,940
6	TOTAL HRA HOUSING INVESTMENT CAPITAL PROGRAMME	5,240,000	4,476,760	9,716,760	9,716,760	2,258,060	7,458,700
7	GENERAL FUND HOUSING INVESTMENT CAPITAL PROGRAMME						
8	Private Sector Housing Support	135,000	59,890	194,890	194,890	98,970	95,920
9	Mandatory Disabled Facilities Grants	600,000	287,630	887,630	887,630	170,280	717,350
10	TOTAL GENERAL FUND HOUSING INVESTMENT CAPITAL PROGRAMME	735,000	347,520	1,082,520	1,082,520	269,250	813,270
11	GENERAL FUND CAPITAL PROGRAMME						
12	Indoor Leisure Facilities - Major repairs and improvements	0	308,180	308,180	308,180	0	308,180
13	Parks, Recreation, Play Areas	31,000	481,570	512,570	512,570	111,730	400,840
14	Coastal Defence Works	0	40,170	40,170	40,170	1,780	38,390
15	Flood Alleviation Project	112,750	0	112,750	112,750	70,340	42,410
16	Newhaven Fort Major Repairs and Improvements	50,000	21,980	71,980	71,980	8,970	63,010
17	Newhaven Growth Quarter	0	78,570	78,570	78,570	31,120	47,450
18	Avis way depot	0	3,321,910	3,321,910	3,321,910	180,930	3,140,980
19	Asset Management - Commercial Development	0	1,960,000	1,960,000	1,960,000	845,000	1,115,000
20	Property acquisition - North Street development	2,900,000	0	2,900,000	2,900,000	0	2,900,000
21	Joint Transformation Programme	2,965,000	1,300,000	4,265,000	4,265,000	121,780	4,143,220
22	Property Assets Major Works	150,000	334,810	484,810	484,810	27,250	457,560
23	TOTAL GENERAL FUND CAPITAL PROGRAMME	6,208,750	7,847,190	14,055,940	14,055,940	1,398,900	12,657,040
24	TOTAL OVERALL CAPITAL PROGRAMME	12,183,750	12,671,470	24,855,220	24,855,220	3,926,210	20,929,010
25	CAPITAL PROGRAMME FUNDING						
26	Borrowing				10,349,090		
27	Capital Receipts				2,061,380		
28	Reserves				11,136,440		
29	Capital Grants				882,190		
30	Section 106 Contributions				375,490		
31	Other Capital Contributions				45,810		
32	Capital Expenditure Financed from Revenue (General Fund)				3,570		
33	Capital Expenditure Financed from Revenue (Housing Fund)				1,250		
34	TOTAL CAPITAL PROGRAMME				24,855,220		

Lewes District Council**Mid-year Treasury Management Report 2016/2017****Contents**

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1. Background

1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management (the Code) recommends that full Council should receive every year reports on Treasury Management policies and activity before the start of the year, mid-year and after the end of the year. The intention is that those with ultimate responsibility for the Treasury Management function appreciate fully the implications of Treasury Management policies and activities, and that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

1.2 The Council defines its Treasury Management activities 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.”

1.3 This mid-year report covers the period 1 April to 30 September 2016.

2. Overall Summary of Activity

2.1 At its meeting in February 2016, the Council agreed its Treasury Management Strategy Statement and Investment Strategy 2016/17 to 2018/19. The table below lists the key elements of that Strategy and records actual performance in the first six months of the year against each one of them.

Key Element	Target in Strategy	Actual Performance	
Borrowing			
Underlying need to borrow (CFR) at year end	£75.049 million	£80.591 million (projection 31 March)	-
Internal borrowing at year end	£18.376 million	£23.918 million (projection 31 March)	-
New external long-term borrowing in year	None anticipated	None undertaken Apr to Sept '16.	✓
Debt rescheduling in year	Review options but not anticipated	Options kept under review, none undertaken Apr to Sept' 16.	✓
Interest payments on external borrowing	£1.730 million	£0.869m (to date)	✓
Investments			
Minimum counterparty credit ratings for investments of up to 6 months	Long-term A- (does not apply to Government and other local authorities which have the highest ratings)	Long-term A	✓
Interest receipts from external investments	£0.104m	£0.086m (to date)	✓

Key Element	Target in Strategy	Actual Performance	
Appointment of Investment Consultants			
Independent Treasury Adviser to be retained	Decide on option to extend Arlingclose contract by 12 months to June 2017	Exercised option to extend Arlingclose contract by 12 months to June 2017	✓
Reporting and Training			
Reports to be made to Audit and Standards Committee and Cabinet	Every meeting	Every meeting	✓
Briefing sessions for Councillors and Staff	Treasury Adviser to provide	Staff training scheduled for October 2016. Councillor briefing session anticipated late 2016	✓

2.2 For those who are looking for more than this overall confirmation that all treasury management and investment activity in 2016/2017 has been carried out in accordance with the Council's agreed Strategy, the remainder of this report analyses each of the key elements in more depth. Appendix A, supplied by Arlingclose explores the economic background to the year's activity and Appendix B lists all term deposits made in the first half of the year. A Glossary appears at the end of the document to explain the technical terms which could not be avoided when writing this report.

3. Detailed Analysis - Borrowing

- 3.1 Other than for temporary cash flow purposes, local authorities are only allowed to borrow to finance capital expenditure (eg the purchase of property, vehicles or equipment which will last for more than one year, or the improvement of such assets). The Government limits the amount borrowed by local authorities for housing purposes only by specifying 'debt caps'. This Council's underlying debt cap has been fixed at £72.931m. In 2014/2015 local authorities were able to bid for an increase in the housing debt cap in order to enable specific projects. A bid from this Council was successful and the debt cap has been increased to £75.248m to match expenditure incurred in building new houses on 7 specified former garage sites
- 3.2 In accounting terms, the underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR) while usable reserves and working capital are the underlying resources available for investment. In recent years, the Council's strategy has been to maintain borrowing and investments below their underlying levels, known as internal borrowing, and this remains the Strategy for 2016/2017.
- 3.3 The CFR is, in simple terms, the amount of capital expenditure which has been incurred by the Council but which has not yet been paid for (by using, for example, grants, capital receipts, reserves or revenue income) and in the meantime is covered by internal or external borrowing. 'External borrowing' is where loans are raised from the Public Works Loans Board (PWLB) or banks. Alternatively it is possible to 'internally borrow' the significant levels of cash which has been set aside in Balances

and Reserves and which would otherwise need to be invested with banks or other counterparties.

- 3.4 As noted above, the level of CFR increases each year by the amount of unfinanced capital expenditure and is reduced by the amount that the Council sets aside for the repayment of borrowing. The original CFR projection for 2016/2017, along with an updated analysis, is shown in the table below. The increases in capital expenditure and financing shown reflect the approved capital programme as at September 2016, and assume that all projects are completed in the year. That outcome is unlikely however - the capital programme represents an allocation of funds to specific long-term projects many of which span financial years, for example investment in new technology to support the Joint Transformation Programme with Eastbourne Borough Council at a projected cost of £4.3 million.

	2016/17 Original £m	2016/17 Projected £m
Opening CFR	70.893	71.531
Capital expenditure in year (projected)	17.471	24.855
Less financed	(11.469)	(14.506)
Less amount set aside for debt repayment	(1.846)	(1.289)
Closing CFR	75.049	80.591

- 3.5 As at 30 September 2016, capital expenditure with a total value of £3.9m had been incurred (excluding commitments) compared with the approved capital programme of £24.9m (including £10.6m brought forward from 2015/2016). £14.5m of total capital expenditure will be funded from existing capital resources, with £10.4m to be funded from borrowing (including the acquisition of property to support a development programme at North Street, Lewes, and the construction of a new depot for use by the waste and recycling service).
- 3.6 The overall CFR can be split between the General Fund and Housing Revenue Account as follows:

	2016/17 Original £m	2016/17 Projected £m
General Fund CFR	10.067	14.810
Housing Revenue Account CFR	64.982	65.781
Total CFR	75.049	80.591

- 3.7 The following table compares the CFR with the amount that the Council holds in balances and reserves as well as working capital (day to day cash movements as well as grants, developer contributions and capital receipts held pending use):

	31/3/17 Original £m	31/3/17 Projected £m
(a) Capital Financing Requirement	75.049	80.591
(b) Actual external borrowing	(56.673)	(56.673)
(c) Use of Balances and Reserves and working capital as alternative to borrowing (a)–(b)	18.376	23.918

- 3.8 Total interest paid on long-term borrowing in the period to 30 September 2016 was £0.869 million, representing the first of two instalments of interest due on the Council's loans from the PWLB and a £5 million market loan from Barclays Bank at the rate of 4.5% with a term of 50 years maturing in April 2054. The original loan agreement with Barclays enabled the bank to increase the interest rate of the loan on a specified date every four years, although the Council could, in that event, repay the loan without penalty. The bank has now decided to permanently waive its right to change the interest rate on this loan, which effectively becomes fixed at the current rate of interest 4.5%.
- 3.9 The Council qualifies for new borrowing at the 'Certainty Rate' (0.20% below the PWLB standard rate) in 2016/2017. In the period to September 2016, no new borrowing, either long-term or short-term (for cash flow purposes) had been undertaken.
- 3.10 Through the year, officers, supported by Arlingclose, monitor opportunities for the rescheduling of external loans and the possibility of repayment utilising cash balances that would otherwise be invested. The borrowing portfolio (£56.673m in total) includes one £5m PWLB variable rate loan with a maturity date in March 2022. The rate of interest on this loan is reviewed by the Government every six months (in September and March).
- 3.11 A review of the Council's position in September 2016, suggests that it might be cost effective to repay the £5m PWLB variable rate loan in March 2017. This external borrowing would be replaced by utilising reserves and balances and working capital, reducing the amount held for investment and its associated risk. In early 2017, Arlingclose, the Council's Treasury Advisors will support the Council in determining the most appropriate approach in the light of market conditions at that time and the potential impact on the General Fund and Housing Revenue Account.

4. Detailed Analysis - Investments

- 4.1 The Council held on average £21.41 million available for investment in the period to 30 September 2016. This comprised working cash balances, capital receipts, earmarked reserves and developer contributions held pending use.
- 4.2 The Council's general policy objective is to invest its surplus funds prudently. The Council's investment priorities have continued to be:

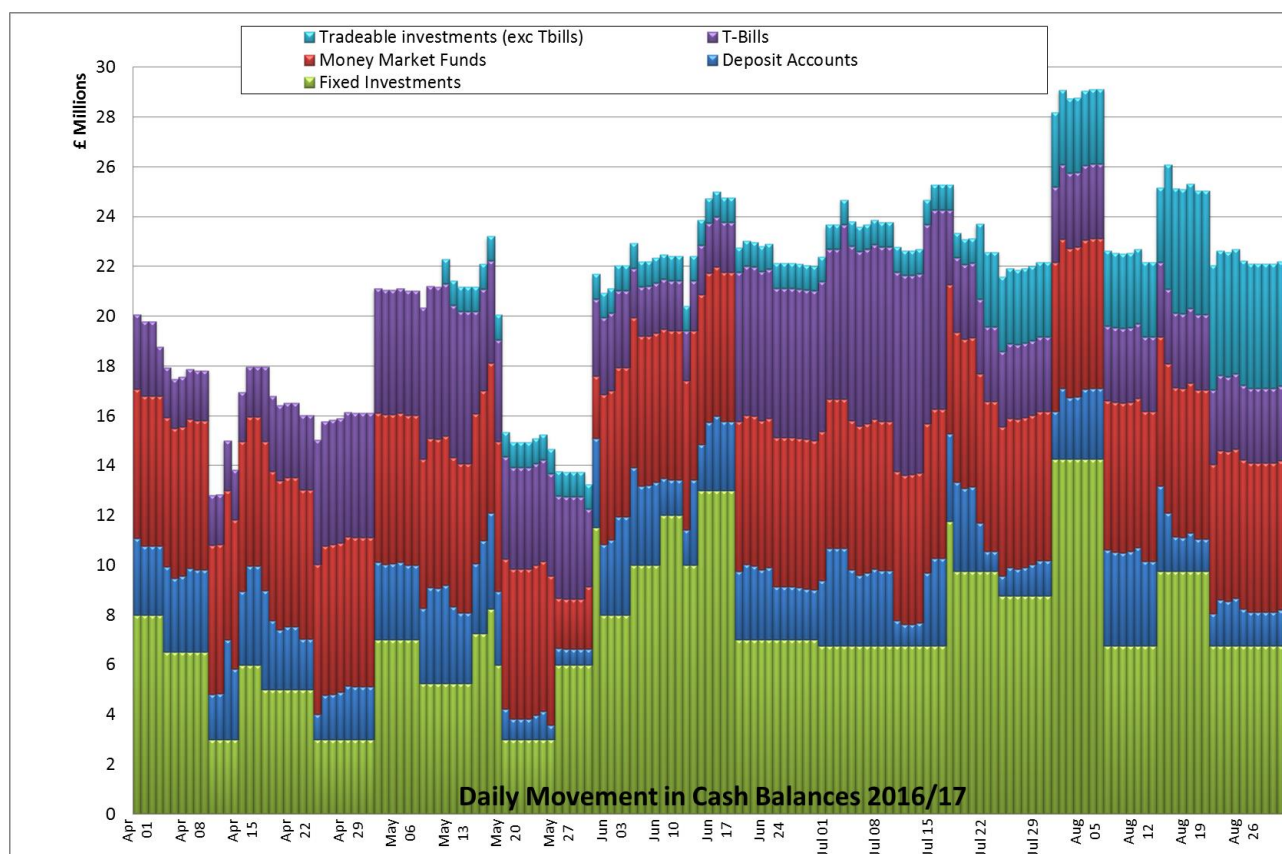
highest priority - security of the invested capital;
followed by - liquidity of the invested capital;
finally - an optimum yield commensurate with security and liquidity.

- 4.3 All of the Council's investments have been managed in-house. Security of capital has been maintained by following the counterparty policy set out in the Investment Strategy for 2016/2017. Investments during the period included:

- Fixed Term Deposits with the Debt Management Office (total £59.75 million)
- Fixed Term Deposits with other Local Authorities (total £8.75 million)
- Fixed Term Deposits with UK Banks/Building Societies (total £11.00 million)

- Investments in Money Market Funds (MMFs) (average balance held in year £5.77 million)
- United Kingdom Treasury Bills (average balance £3.79 million)
- Tradable Investments -Floating Rate Notes, Certificates of Deposit, Bonds (average balance £2.04 million)
- Deposit accounts with UK Banks (average balance held in year £1.26 million)
- Overnight deposits with the Council's banker, Lloyds Bank (average balance held in year £1.03 million)

The chart below shows the profile of total investments from 1 April to 30 September. The total invested ranged from £13.7m (end of May) to £29.1m (beginning of August).



- 4.4 The Council has approved the use of two MMFs, Deutsche Bank – Deutsche Global Liquidity Series and Goldman Sachs Asset Management International.
- 4.5 Counterparty credit quality was assessed and monitored with reference to credit ratings (a minimum long-term counterparty rating of A- across all three rating agencies Fitch, Standard and Poors, and Moody's applied); credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP; any potential support mechanisms and share price.
- 4.6 In keeping with Government guidance on investments, the Council maintained a sufficient level of liquidity through the use of MMFs, overnight deposits and deposit accounts.

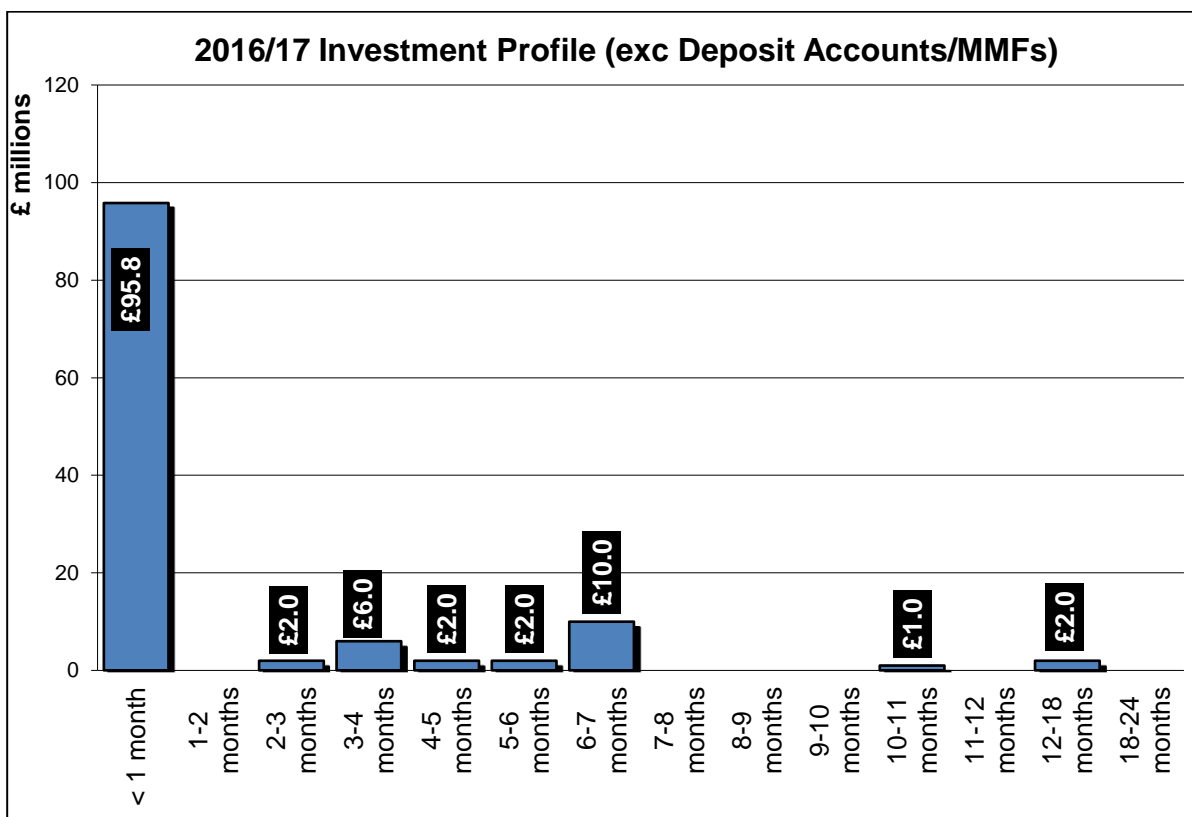
4.7 The Council sought to optimise returns commensurate with its objectives of security and liquidity. The Treasury Management Strategy anticipated an increase in the UK Bank Rate of 0.25% in the third quarter of 2016. However the UK economic outlook changed significantly on 23rd June 2016. The surprise result of the referendum on EU membership and the subsequent political turmoil prompted a sharp decline in household, business and investor sentiment. The repercussions of this plunge in sentiment on economic growth were judged by the Bank of England to be severe, and resulted in a cut in Bank Rate to 0.25%. Arlingclose forecast the Bank Rate to remain at this level for the remainder of the year, with a 40% possibility of a reduction close to zero.

4.8 Interest generated from investments in the year to date was £0.086 million and is projected to exceed the full year budget, £0.104 million.

4.9 The average rate of return from investments at the end of Quarter 1 and Quarter 2 is shown in the table below, along with comparative benchmark information.

	Lewes District Council	7 Day Libid
Average rate of investments in Q1 end 30 June 2016	0.56%	0.36%
Average rate of investments in Q2 end 30 Sept2016	0.52%	0.20%
Average rate of return Q1 to Q2	0.53%	0.28%

4.10 A full list of temporary deposits made in the year is given at Appendix B. All investments were made with UK institutions, and no new deposits were made for periods in excess of one year. The chart below gives an analysis of fixed term deposits by duration.



5. Counterparty Update

- 5.1 Various indicators of credit risk reacted negatively to the result of the referendum on the UK's membership of the European Union. UK bank credit default swaps saw a modest rise but bank share prices fell sharply, on average by 20%, with UK-focused banks experiencing the largest falls. Non-UK bank share prices were not immune although the fall in their share prices was less pronounced.
- 5.2 Credit rating agencies downgraded the UK's sovereign rating - Fitch by one band to AA from AA+, and Standard & Poor's (S&P) by two bands to AA from AAA. Fitch, S&P and Moody's have a negative outlook on the UK. S&P also downgraded the long-term ratings of the local authorities to which it assigns ratings as well as the long-term rating of the EU from AA+ to AA, the latter on the agency's view that it lowers the union's fiscal flexibility and weakens its political cohesion.
- 5.3 Moody's affirmed the ratings of nine UK banks and building societies but revised the outlook to negative for those that it perceived to be exposed to a more challenging operating environment arising from the 'leave' outcome.
- 5.4 There was no immediate change to Arlingclose's credit advice on UK banks and building societies as a result of the referendum result. Our advisor believes there is a risk that the uncertainty over the UK's future trading prospects will bring forward the timing of the next UK recession.
- 5.5 At 30 September 2016, the following UK institutions met the Council's investment criteria and were potential counterparties:

Bank of Scotland plc	Barclays Bank plc
Close Brothers Ltd	Goldman Sachs International Bank
HSBC Bank plc	Lloyds Bank plc
Santander UK plc	Coventry Building Society
Nationwide Building Society	

A number of other institutions also met the criteria, although there is very limited opportunity to place deposits with these institutions.

6. Internal Borrowing

- 6.1 Following the national reform of housing finance, since 1 April 2012 the Council has adopted a 'two pool' approach to the accounting treatment of loans. Under this approach, interest on any external borrowing in respect of expenditure on General Fund services is to be charged to the General Fund, and interest on any external borrowing in respect of the Council's housing stock (Housing Revenue Account (HRA)) is to be charged to the HRA. At the start of the year, all external borrowing was attributed to the HRA.
- 6.2 Where the HRA or General Fund has surplus cash balances which allow either account to have external borrowing below its level of CFR (internal borrowing), the approved Treasury Strategy explains that the rate charged on this internal borrowing will be based on the rate of interest applicable to a one-year maturity loan from the PWLB at the start of the financial year.

- 6.3 It is expected that an interest payment will be made from the HRA to the General Fund in 2016/2017, but the final amount will not be determined until the close of the year, dependent on the capital programme outturn for the year. The HRA capital programme at 30 September 2016 includes £2.66m in respect of the construction or acquisition of new properties, to be part-funded by borrowing but it is not expected to take new loans from the PWLB or other source. This constitutes internal borrowing by the HRA from the General Fund and an interest charge will be made as outlined above.

7. Compliance with Prudential Indicators

The Council can confirm that it has complied with its Prudential Indicators for 2015/2016, which were set in February 2016 as part of the Council's Treasury Management Strategy Statement. Actual borrowing has remained within the Authorised Limit for External Debt (£76.5m) and the Operational Boundary for External Debt (£71.0m).

8. Reporting and Training

- 8.1 The Deputy Chief Executive has reported the details of treasury management activity to each meeting of the Audit and Standards Committee and Cabinet held to date in 2016/2017.
- 8.2 All councillors tasked with treasury management responsibilities, including scrutiny of the treasury management function, are expected to be offered the opportunity to attend a local briefing session led by Arlingclose in the second half of 2016/2017.
- 8.3 The training needs of the Council's treasury management staff continue to be reviewed as part of the annual corporate staff appraisal/training needs assessment process for all Council employees. Staff continue to attend Arlingclose workshops, when appropriate to their needs, alongside colleagues from other local authorities during 2016/2017.

9. Investment Consultants

- 9.1 The Council appointed Arlingclose as its Treasury Adviser in 2012 following an open procurement. The agreement with Arlingclose was for an initial four-year term expiring on 30 June 2016, with the Council having the option to extend for a further year.
- 9.2 The Council exercised the option to extend this agreement, which will now come to an end on 30 June 2017. It is envisaged that in 2017 the Council will carry out a joint procurement exercise with Eastbourne Borough Council as part of the Joint Transformation Programme to appoint Treasury Advisor(s) for future years. This procurement may form part of a larger exercise covering all of the East Sussex district and borough councils.

Appendix A – Economic Background explained by Arlingclose

The preliminary estimate of Q2 2016 GDP showed reasonably strong growth as the economy grew 0.7% quarter-on-quarter, as compared to 0.4% in Q1 and year/year growth running at a healthy pace of 2.2%. However the UK economic outlook changed significantly on 23rd June 2016. The surprise result of the referendum on EU membership prompted forecasters to rip up previous projections and dust off worst-case scenarios. Growth forecasts had already been downgraded as 2016 progressed, as the very existence of the referendum dampened business investment, but the crystallisation of the risks and the subsequent political turmoil prompted a sharp decline in household, business and investor sentiment.

The repercussions of this plunge in sentiment on economic growth were judged by the Bank of England to be severe, prompting the Monetary Policy Committee to initiate substantial monetary policy easing at its August meeting to mitigate the worst of the downside risks. This included a cut in Bank Rate to 0.25%, further gilt and corporate bond purchases (QE) and cheap funding for banks (Term Funding Scheme) to maintain the supply of credit to the economy. The minutes of the August meeting also suggested that many members of the Committee supported a further cut in Bank Rate to near-zero levels (the Bank, however, does not appear keen to follow peers into negative rate territory) and more QE should the economic outlook worsen.

In response to the Bank of England's policy announcement, money market rates and bond yields declined to new record lows. Since the onset of the financial crisis over eight years ago, Arlingclose's rate outlook has progressed from 'lower for longer' to 'even lower for even longer' to, now, 'even lower for the indeterminable future'.

The new members of the UK government, particularly the Prime Minister and Chancellor, are likely to follow the example set by the Bank of England. After six years of fiscal consolidation, the Autumn Statement on 23rd November is likely to witness fiscal initiatives to support economic activity and confidence, most likely infrastructure investment. Tax cuts or something similar cannot be ruled out.

Whilst the economic growth consequences of BREXIT remain speculative, there is uniformity in expectations that uncertainty over the UK's future trade relations with the EU and the rest of the world will weigh on economic activity and business investment, dampen investment intentions and tighten credit availability, prompting lower activity levels and potentially a rise in unemployment. These effects will dampen economic growth through the second half of 2016 and in 2017.

Meanwhile, inflation is expected to pick up due to a rise in import prices, dampening real wage growth and real investment returns. The August Quarterly *Inflation Report* from the Bank of England forecasts a rise in CPI to 0.9% by the end of calendar 2016 and thereafter a rise closer to the Bank's 2% target over the coming year, as previous rises in commodity prices and the sharp depreciation in sterling begin to drive up imported material costs for companies.

The rise in inflation is highly unlikely to prompt monetary tightening by the Bank of England, with policymakers looking through import-led CPI spikes, concentrating instead on the negative effects of Brexit on economic activity and, ultimately, inflation.

Market reaction: Following the referendum result gilt yields fell sharply across the maturity spectrum on the view that Bank Rate would remain extremely low for the foreseeable future. The yield on the 10-year gilt fell from 1.37% on 23rd June to a low of 0.52% in August, a quarter of what it was at the start of 2016. The 10-year gilt yield has since risen to 0.69% at the end of September. The yield on 2- and 3-year gilts briefly dipped into negative territory intra-day on 10th August to -0.1% as prices were driven higher by the Bank of England's bond repurchase programme. However both yields have since recovered to 0.07% and 0.08% respectively.

On the other hand, after an initial sharp drop, equity markets appeared to have shrugged off the result of

the referendum and bounced back despite warnings from the IMF on the impact on growth from 'Brexit' as investors counted on QE-generated liquidity to drive risk assets.

The most noticeable fall in money market rates was for very short-dated periods (overnight to 1 month) where rates fell to between 0.1% and 0.2%

Outlook for the remainder of 2016/17

The economic outlook for the UK has immeasurably altered following the popular vote to leave the EU. The long-term position of the UK economy will be largely dependent on the agreements the government is able to secure with the EU, particularly with regard to Single Market access.

The short to medium-term outlook has been more downbeat due to the uncertainty generated by the result and the forthcoming negotiations. Economic and political uncertainty will likely dampen or delay investment intentions, prompting lower activity levels and potentially a rise in unemployment. The downward trend in growth apparent on the run up to the referendum may continue through the second half of 2016, although some economic data has held up better than was initially expected, perhaps suggesting a less severe slowdown than feared.

Arlingclose has changed its central case for the path of Bank Rate over the next three years. Arlingclose believes any currency-driven inflationary pressure will be looked through by Bank of England policymakers. Arlingclose's central case is for Bank Rate to remain at 0.25%, but there is a 40% possibility of a drop to close to zero, with a small chance of a reduction below zero.

Gilt yields are forecast to be broadly flat from current levels, albeit experiencing short-term volatility.

	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
Official Bank Rate													
Upside risk	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25
Arlingclose Central Case	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50

Global interest rate expectations have been pared back considerably. There remains a possibility that the Federal Reserve will wait until after November's presidential election, and probably hike interest rates in December 2016 but only if economic conditions warrant.

In addition, Arlingclose believes that the Government and the Bank of England have both the tools and the willingness to use them to prevent market-wide problems leading to bank insolvencies. The cautious approach to credit advice means that the banks currently on the Authority's counterparty list have sufficient equity buffers to deal with any localised problems in the short term.

Appendix B – Term deposits made and/or maturing April to September 2016

Ref	Counterparty	From	To	Days	Principal	Int Rate
228115	Nationwide Building Society	18 Feb 16	18 Aug 16	182	1,000,000	0.71%
228315	Eastbourne Borough Council	24 Mar 16	1 Jun 16	69	2,000,000	0.50%
228415	Stafford Borough Council	24 Mar 16	1 Apr 16	8	2,000,000	0.50%
228516	Debt Management Office	1 Apr 16	5 Apr 16	4	5,000,000	0.25%
228616	Debt Management Office	5 Apr 16	11 Apr 16	6	3,500,000	0.25%
228716	Thurrock Borough Council	27 May 16	28 Nov 16	185	3,000,000	0.50%
228816	Debt Management Office	15 Apr 16	18 Apr 16	3	3,000,000	0.25%
228916	Debt Management Office	18 Apr 16	25 Apr 16	7	2,000,000	0.25%
229016	Debt Management Office	3 May 16	9 May 16	6	4,000,000	0.25%
229116	Debt Management Office	9 May 16	19 May 16	10	2,250,000	0.25%
229216	Debt Management Office	16 May 16	20 May 16	4	2,000,000	0.25%
229316	Debt Management Office	18 May 16	20 May 16	2	1,000,000	0.25%
229416	Debt Management Office	1 Jun 16	2 Jun 16	1	3,500,000	0.25%
229516	Debt Management Office	1 Jun 16	6 Jun 16	5	4,000,000	0.25%
229616	Debt Management Office	6 Jun 16	13 Jun 16	7	5,000,000	0.25%
229716	Nationwide Building Society	6 Jun 16	6 Dec 16	183	1,000,000	0.71%
229816	Thurrock Borough Council	1 Jul 16	5 Oct 16	96	1,750,000	0.46%
229916	Coventry Building Society	10 Jun 16	1 Jul 16	21	2,000,000	0.40%
230016	Debt Management Office	13 Jun 16	20 Jun 16	7	3,000,000	0.25%
230116	Debt Management Office	15 Jun 16	20 Jun 16	5	3,000,000	0.25%
230216	Coventry Building Society	18 Jul 16	25 Jul 16	7	2,000,000	0.35%
230316	Debt Management Office	18 Jul 16	19 Jul 16	1	2,000,000	0.25%
230416	Debt Management Office	18 Jul 16	25 Jul 16	7	1,000,000	0.25%
230516	Coventry Building Society	25 Jul 16	1 Aug 16	7	2,000,000	0.35%
230616	Debt Management Office	1 Aug 16	8 Aug 16	7	5,500,000	0.25%
230716	Coventry Building Society	1 Aug 16	8 Aug 16	7	2,000,000	0.35%
230816	Debt Management Office	15 Aug 16	22 Aug 16	7	3,000,000	0.15%
230916	Nationwide Building Society	18 Aug 16	20 Feb 17	186	1,000,000	0.40%
231016	Debt Management Office	1 Sep 16	5 Sep 16	4	2,000,000	0.15%
231116	Debt Management Office	1 Sep 16	12 Sep 16	11	2,000,000	0.15%
231216	Debt Management Office	15 Sep 16	19 Sep 16	4	3,000,000	0.15%

Glossary of Terms

Affordable Borrowing Limit	Each local authority is required by statute to determine and keep under review how much money it can afford to borrow. The Prudential Code (see below) sets out how affordability is to be measured.
Bank Rate	The main interest rate in the economy, set by the Bank Of England, upon which other rates are based.
Basis Point	A convenient way of measuring an interest rate (or its movement). It represents 1/100 th of a percentage point, ie 100 basis points make up 1%, and 250 basis points are 2.5%. It is easier to talk about 30 basis points than “point three of one per cent”.
Bonds	Debt instruments issued by government, multinational companies, banks, multilateral development banks and corporates. Interest is paid by the issuer to the bond holder at regular pre-agreed periods. The repayment date of the principal is set at the outset.
Capital Expenditure	Spending on the purchase, major repair, or improvement of assets eg buildings and vehicles
Capital Financing Requirement (CFR)	Calculated in accordance with government regulations, the CFR represents the amount of Capital Expenditure that it has incurred over the years and which has not yet been funded from capital receipts, grants or other forms of income. It represents the Council’s underlying need to borrow.
Certificate of Deposit	A short-term marketable financial instrument typically issued for periods of less than six months by banks and building societies. Interest can be at a fixed or variable rate.
Chartered Institute of Public Finance and Accountancy (CIPFA)	CIPFA is one of the leading professional accountancy bodies in the UK and the only one that specialises in the public services. It is responsible for the education and training of professional accountants and for their regulation through the setting and monitoring of professional standards. CIPFA has responsibility for setting accounting standards for local government.
Counterparty Credit Default Swaps	Institution with which the Council may make an investment CDS are a financial instrument for swapping the risk of debt default and are effectively an insurance premium. Local authorities do not trade in CDS but trends in CDS prices are monitored as an indicator of relative confidence about the credit risk of counterparties.
Credit Rating	A credit rating is an independent assessment of the credit quality of an institution made by an organisation known as a rating agency. The rating agencies take many factors into consideration when forming their view of the likelihood that an institution will default on their obligations, including the institution’s willingness and ability to repay. The ratings awarded typically cover the short term outlook, the long term outlook, as well as an assessment of the extent to which the parent company or the state will honour any obligations. The three main agencies providing credit rating services are Fitch Ratings, Moody’s and Standard and Poor’s.

Fixed Deposits	Loans to institutions which are for a fixed period at a fixed rate of interest
Gilts	These are issued by the UK government in order to finance public expenditure. Gilts are generally issued for set periods and pay a fixed rate of interest. During the life of a gilt it will be traded at price decided in the market.
Housing Revenue Account (HRA)	There is a statutory requirement for local authorities to account separately for expenditure incurred and income received in respect of the dwellings that they own and manage.
Internal Borrowing	The temporary use of surplus cash which would otherwise be invested, as an alternative to borrowing from the PWLB or a bank in order to meet the cost of capital expenditure.
Lenders' Option Borrower's Option (LOBO)	A long term loan with a fixed interest rate. On pre-determined dates (eg every 5 years) the lender can propose or impose a new fixed rate for the remaining term of the loan and the borrower has the 'option' to either accept the new fixed rate or repay the loan.
LIBID	The rate of interest at which first-class banks in London will bid for deposit funds
Minimum Revenue Provision (MRP)	The minimum amount which must be charged to an authority's revenue account each year and set aside as provision for the repayment of debt.
Operational boundary	This is the most likely, prudent view of the level of gross external indebtedness. A temporary breach of the operational boundary is not significant.
Prudential Code/Prudential Indicators	The level of capital expenditure by local authorities is not rationed by central government. Instead the level is set by local authorities, providing it is within the limits of affordability and prudence they set themselves. The Prudential Code sets out the indicators to be used and the factors to be taken into account when setting these limits
Public Works Loan Board (PWLB)	A central government agency which provides long- and medium-term loans to local authorities at interest rates only slightly higher than those at which the Government itself can borrow.
Treasury Management Strategy Statement (TMSS)	Approved each year, this document sets out the strategy that the Council will follow in respect of investments and financing both in the forthcoming financial year and the following two years.