APPENDIX 1

Lewes District Council

Mid-year Treasury Management Report 2013/2014

Contents

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 2013 to 30 September 2013.

2. Overall Summary of Activity

2.1 At its meeting in February 2013, the Council agreed its Treasury Management Strategy Statement and Investment Strategy 2013/14 to 2015/16. 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	Required by Strategy	Actual Performance	
Borrowing			
Underlying need to borrow (CFR) at year end	£73.252 million	£72.651 million (projection 31 March)	-
Internal borrowing at year end	£16.579 million	£15.978 million (projection 31 March)	-
New external long-term borrowing in year	None anticipated	None undertaken (projection 31 March)	✓
Debt rescheduling in year	Review options but not anticipated	Options kept under review, none undertaken to date	✓
Interest payments on external borrowing	£1.730 million	£0.849m (to date)	✓
Investments			
Minimum counterparty credit ratings for investments of up to 1 year	Long-term A/ Short-term F1 (does not apply to Government and other local authorities which have the highest ratings)	At least Long-term A/ Short-term F1 where required	✓
Sovereign status of counterparties	UK plus 10 specified nations	Only UK counterparties used	✓
Money Market Funds	AAA rated with Constant Net Asset Value	AAA rated with Constant Net Asset Value	✓

Key Element	Required by Strategy	Actual Performance	
Overnight exposure guideline for deposits with Cooperative	Maximum £1 million	Guideline not exceeded.	✓
Interest receipts from external investments	£0.036m	£0.032m (to date)	✓
Appointment of Investment Consultants			
Independent Treasury Adviser to be retained	Arlingclose to be retained as Treasury Adviser	Arlingclose retained as Treasury Adviser	✓
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	Arlingclose met with Councillors and Staff September 2013	✓

2.2 For those who are looking for more than this overall confirmation that all treasury management and investment activity in 2013/2014 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. Appendix C sets out the Authorised Counterparty list at 30 September 2013. 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).

3.2 In accounting terms, the underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). This, together with Balances and Reserves, are the core drivers of Treasury Management activity.

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 or banks. Alternatively it is possible to use 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 borrowers as a means to avoid taking on external loans. This is known as internal borrowing.

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 2013/2014, 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 October 2013, 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.

3.5 As at 30 September 2013, capital expenditure with a total value of £5.8m had been incurred (excluding commitments) compared with the approved capital programme of £14.1m (including £7.9m brought forward from 2012/2013). Of this, £1.8m was in respect of the implementation of Food Waste Collection, principally funded from Government grant. With the exception of this and spending on the Southover House office refurbishment, for which it is expected that the proceeds from the disposal of assets in future years will be used as retrospective funding, all other capital expenditure has been funded from grants, capital receipts, reserves or revenue income.

	2013/14 Original £m	2013/14 Projected £m
Opening CFR	71.224	71.030
Capital expenditure in year (projected)	8.352	14.084
Less financed	(6.152)	(12.274)
Less amount set aside for debt repayment	(0.172)	(0.189)
Closing CFR	73.252	72.651

3.6 The overall CFR can be split between the General Fund and Housing Revenue Account as follows:

	2013/14 Original £m	2013/14 Projected £m
General Fund CFR	4.693	4.827
Housing Revenue Account CFR	68.559	67.824
Total CFR	73.252	72.651

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):

	31/3/14 Original £m	31/3/14 Projected £m
(a) Capital Financing Requirement	73.252	72.651
(b) Actual external borrowing	(56.673)	(56.673)
(c) Use of Balances and Reserves as alternative to borrowing (a)–(b)	16.579	15.978

3.8 Total interest paid on long-term borrowing in the period to 30 September 2013 was £0.849 million, representing the first of two instalments of interest due on the Council's loans from the PWLB and a £5 million market Lender's Options Borrower's Option (LOBO) loan at the rate of 4.5% with a term of 50 years. Under the terms of the LOBO, the Lender will next review the rate/terms of the loan in April 2015 and if it proposes an increase, the Council will have an option to repay.

3.9 The Council qualifies for new borrowing at the 'Certainty Rate' (0.20% below the PWLB standard rate) for a 12 month period from 1 April 2012. In April the Council submitted its application to the Goverrnment to access this reduced rate for a further 12 month period from 1 November 2013.

4. Detailed Analysis - Investments

4.1 The Council held on average £16.9 million available for investment in the period to 30 September 2013. 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 2013/2014. Investments during the period included:

- Deposits with the Debt Management Office (total £51.40 million)
- Deposits with other Local Authorities (total £16.00 million)
- Investments in AAA-rated Constant Net Asset Value Money Market Funds (MMFs) (average balance held in year £1.37 million)
- United Kingdom Treasury Bills (average balance £4.08 million)
- Deposit accounts with UK Banks/Building Societies (average balance held in year £4.06 million)
- Overnight deposits with the Council's banker, Cooperative Bank (average balance held in year £0.06 million)

4.4 The Council has approved the use of two MMFs, DB Advisors – Deutsche Global Liquidity Series and Goldman Sachs Asset Management International.

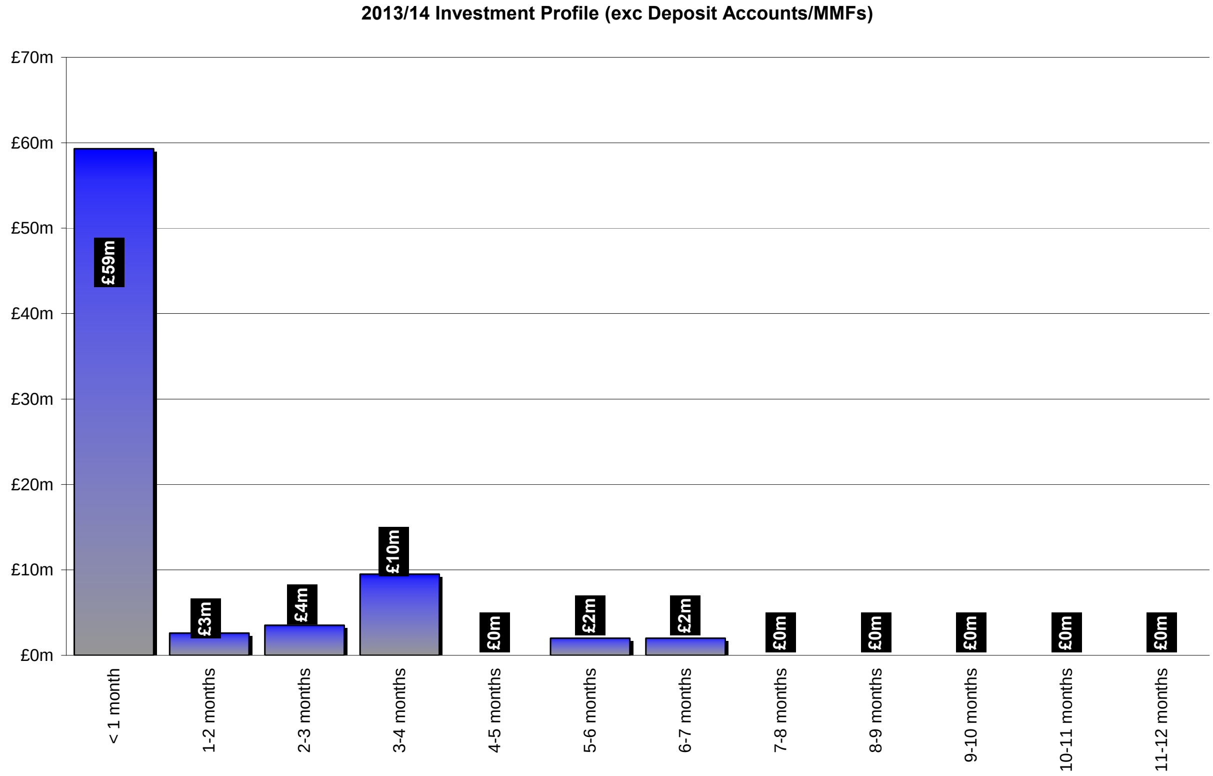
4.5 The guideline within the approved Strategy for use of the Cooperative Bank for overnight deposits is an overnight exposure limit of £1 million. In response to market conditions, the Council's day to day approach has been to hold an overdrawn balance at the Bank – the average daily overdrawn balance in the period was £0.151m.

4.6 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.

4.7 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.

4.8 The Council sought to optimise returns commensurate with its objectives of security and liquidity. As expected when setting the investment income budget for 2013/2014, the UK Bank Rate has been maintained at 0.5%.

4.9 A full list of temporary investments made in the year is given at Appendix C. 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.



4.10 Interest generated from external deposits in the year to date was £0.032 million and the total 2013/2014 budget for investment income (excluding transactions in respect of the Council's deposit with Landsbanki Island hf), £0.036 million, is expected to be exceeded. This favourable position has arisen as a result of higher than anticipated levels of cash being held pending expenditure on capital programme projects, etc.

5. Counterparty Update

The Council has monitored prospective counterparties against the approved investment criteria on a continual basis through the period. No institutions have been added or removed from the original authorised lending list for the year. At the end of the period, the authorised lending list was as shown in Appendix C.

6. LBI Deposit

6.1 The Council had a deposit of £1m outstanding with the Icelandic bank Landsbanki Island hf when it failed in October 2008. After successful legal action taken jointly with other local authorities which had deposits with the bank, the Council now expects to recover the full amount, although the timing remains uncertain. In July 2013, Cabinet confirmed that the Council is open to opportunities to accelerate the return of investment funds.

6.2 In September 2013, the Council received a fourth distribution from the bank's Winding-up Board. The value of the amounts recovered to date have been as follows:

	£'000
December 2011	312
May 2012	128
October 2012	60
September 2013	52
Total	**552**

7. Internal Borrowing

7.1 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.

7.2 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.

7.3 It is expected that an interest payment will be made from the HRA to the General Fund in 2013/2014, but the final amount will not be determined until the close of the year. In the year to date, the Council has completed the purchase of two properties and no new additional external borrowing has been put in place, the transactions being covered by a reduction in cash available for investment. This constitutes internal borrowing by the HRA from the General Fund and an interest charge will be made as outlined above.

8. Compliance with Prudential Indicators

The Council can confirm that it has complied with its Prudential Indicators for 2013/2014, which were set in February 2013 as part of the Council's Treasury Management Strategy Statement. Actual borrowing has remained within the Authorised Limit for External Debt (£72.5m) and the Operational Boundary for External Debt (£67.0m).

9. Reporting and Training

9.1 The Director of Finance has reported the details of treasury management activity to each meeting of the Audit and Standards Committee and Cabinet held to date in 2013/2014.

9.2 All councillors tasked with treasury management responsibilities, including scrutiny of the treasury management function, were offered the opportunity to attend a local briefing session led by Arlingclose on 15 October 2013.

9.3 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 2013/2014.

10. Investment Advisors

Arlingclose have been retained as the Council's treasury advisor through the period covered by this report, under the terms of a four year contract which runs to 31 August 2016.

Appendix A – Economic Background explained by Arlingclose

Growth: The UK economy showed some improvement, with consumer spending boosting growth. GDP for the first quarter of 2013 was revised up to +0.4% and for the second quarter was +0.7%. Recent data suggests a stronger rate in quarter three. Revisions by the Office of National Statistics to GDP back-data showed the UK avoided a double-dip recession in 2012, but that the downturn in 2008-09 was deeper than previously estimated. Growth is now still over 3% below its peak back in 2007.

Some positive signs for household spending emerged. The deterioration in real earnings growth (i.e. earnings less inflation) slowed, which implied a slower erosion of purchasing power. Consumer confidence improved. Household savings rates remained high, which is unsurprising given the uncertain economic outlook, but appear to be on a downward track, suggesting spending was being driven by borrowing or lower savings. This raises questions about the sustainability of the recovery at these rates of growth.

Inflation: Annual CPI for August (published September) was 2.7%. Inflation fell in line with expectations and is expected to remain close to this level throughout the autumn. Further out, inflation should fall back towards the 2% target as external price pressures fade and a revival in productivity growth curbs domestic cost pressures. The oil price (Brent Crude) climbed above $100/barrel on the back of political unrest in Egypt and the unresolved crisis in Syria.

Monetary Policy: There was no change to UK monetary policy with official interest rates and asset purchases maintained at 0.5% and £375bn respectively. The main development for UK monetary policy was the start of Mark Carney's tenure as Governor and the implementation of forward guidance. Within the August Inflation Report, the Bank stated its forward guidance, the main element of which is to defer monetary tightening at least until the ILO Unemployment Rate falls to a threshold of 7% (among a raft of caveats). The Bank projected that the probability of this happening would remain below 50% until 2016. The Governor has had to defend the Bank's guidance in the face of rising financial market expectations of an earlier rate rise on the back of the encouraging economic data.

Global: Whilst the outlook for the global economy appeared to have improved over the first half of calendar 2013/14, significant economic risks remain, particularly in China and the Eurozone. The Chinese banking system is facing tighter liquidity conditions as officials seek to slow down rampant credit growth, and, despite the time gained by the ECB to allow individual members and the Eurozone as a whole to reform their economies, the Eurozone debt crisis has not gone away. The region appears to be dragging itself out of recession and September's German general election passed with little incident but political uncertainties, particularly in Italy, could derail any progress towards a more balanced and stable regional economy. The US recovery appeared to be in train, but a lack of agreement on the federal budget by the end of September caused a partial government shutdown at the start of October, which could have an effect on GDP growth. Political risks also remain regarding the debt ceiling.

Outlook: At the time of writing this activity report, the UK economic outlook appears to have improved. The projected path for growth has risen, but remains relatively subdued, with a distinct reliance on household consumption, which itself remains under pressure given the deterioration in real earnings growth, high unemployment and general low confidence. A variety of other factors will continue to weigh on a domestic recovery, including on-going fiscal consolidation, muted business confidence and subdued foreign demand. While the economic recovery may pick up steam, forward guidance from the Bank of England suggests that monetary policy is unlikely to be tightened until the ILO Unemployment Rate falls below 7%. The Bank projected this level would be reached in 2016. The latest forecast for Bank Rate from our advisors Arlingclose is below:

	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16
Official Bank Rate												
Upside risk		0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75
Arlingclose Central	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**
Downside risk	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25

Appendix B – Term deposits made and/or maturing April to September '13

Deal	Counterparty	Value	From	To	Rate
210312	Nationwide Building Society	2,000,000	15 Jan 13	15 Apr 13	0.4400%
210712	Thurrock Borough Council	2,000,000	1 Feb 13	11 Apr 13	0.3500%
211112	Plymouth City Council	2,000,000	20 Feb 13	5 Apr 13	0.2800%
211612	Nationwide Building Society	1,000,000	27 Mar 13	29 Apr 13	0.3800%
211713	Debt Management Office	3,800,000	2 Apr 13	10 Apr 13	0.2500%
211813	Debt Management Office	1,000,000	5 Apr 13	10 Apr 13	0.2500%
211913	Thurrock Borough Council	2,000,000	11 Apr 13	11 Jul 13	0.3000%
212013	Debt Management Office	2,500,000	15 Apr 13	22 Apr 13	0.2500%
212113	Nationwide Building Society	2,000,000	19 Apr 13	21 Oct 13	0.5200%
212213	Nationwide Building Society	1,000,000	29 Apr 13	29 Jul 13	0.4400%
212313	Debt Management Office	1,000,000	1 May 13	7 May 13	0.2500%
212413	Debt Management Office	1,400,000	1 May 13	9 May 13	0.2500%
212513	Debt Management Office	1,000,000	1 May 13	13 May 13	0.2500%
212613	Debt Management Office	1,000,000	7 May 13	8 May 13	0.2500%
212713	Debt Management Office	1,000,000	8 May 13	14 May 13	0.2500%
212813	Debt Management Office	1,500,000	9 May 13	20 May 13	0.2500%
212913	Debt Management Office	1,200,000	13 May 13	20 May 13	0.2500%
213013	Debt Management Office	1,000,000	14 May 13	20 May 13	0.2500%
213113	Debt Management Office	3,000,000	15 May 13	22 May 13	0.2500%
213213	Debt Management Office	3,000,000	16 May 13	22 May 13	0.2500%
213313	Debt Management Office	1,400,000	22 May 13	28 May 13	0.2500%
213413	Plymouth City Council	1,000,000	28 May 13	22 Jul 13	0.2800%
213513	Debt Management Office	2,000,000	3 Jun 13	10 Jun 13	0.2500%
213613	Debt Management Office	5,000,000	15 Jul 13	22 Jul 13	0.2500%
213713	Debt Management Office	1,600,000	22 Jul 13	22 Aug 13	0.2500%
213813	Debt Management Office	5,000,000	1 Aug 13	9 Aug 13	0.2500%
213913	Debt Management Office	2,000,000	1 Aug 13	5 Aug 13	0.2500%
214013	Debt Management Office	2,000,000	5 Aug 13	12 Aug 13	0.2500%
214113	Debt Management Office	1,300,000	12 Aug 13	19 Aug 13	0.2500%
214213	Nationwide Building Society	1,000,000	12 Aug 13	12 Nov 13	0.4400%
214313	Debt Management Office	2,200,000	15 Aug 13	20 Aug 13	0.2500%
214413	Neath Port Talbot CBC	2,000,000	20 Aug 13	4 Sep 13	0.2800%
214513	Norwich City Council	3,000,000	23 Aug 13	9 Sep 13	0.2900%
214613	Debt Management Office	1,500,000	22 Aug 13	23 Aug 13	0.2499%
214713	East Dunbartonshire Council	2,000,000	29 Aug 13	29 Oct 13	0.3400%
214813	Debt Management Office	2,000,000	9 Sep 13	12 Sep 13	0.2500%
214913	Halton Borough Council	3,000,000	13 Sep 13	18 Sep 13	0.4500%
215013	Woking Borough Council	1,500,000	19 Sep 13	30 Sep 13	0.2800%
215113	Nottingham City Council	1,500,000	30 Sep 13	31 Oct 13	0.3000%

Appendix C – Authorised Lending List at 30 September 2013

Last updated / checked	Institution - PARENT COMPANY ONLY Subsidiaries are NOT Authorised Counterparties	Country	Lowest Equivalent Short Term Rating **	MaximumTerm allowed for Lewes DC (lowest value)
01-Oct-13	Australia & New Zealand Banking Group Limited	AUS	F1+	**12 months**
01-Oct-13	Commonwealth Bank of Australia	AUS	F1+	**12 months**
01-Oct-13	National Australia Bank Limited **[part of NAB Group]**	AUS	F1+	**12 months**
01-Oct-13	Westpac Banking Corporation	AUS	F1+	**12 months**
01-Oct-13	Bank of Montreal	CAN	A1	**12 months**
01-Oct-13	Bank of Novia Scotia	CAN	A1	**12 months**
01-Oct-13	Canadian Imperial Bank of Commerce	CAN	A1	**12 months**
01-Oct-13	Royal Bank of Canada	CAN	F1+	**12 months**
01-Oct-13	Toronto-Dominion Bank	CAN	F1+	**12 months**
01-Oct-13	Nordea Bank Finland plc	FIN	F1+	**12 months**
01-Oct-13	Pohjoa Bank	FIN	F1	**6 months**
01-Oct-13	BNP Paribas	FRA	A1	**3 months**
01-Oct-13	Calyon **[part of Credit Agricole Group]**	FRA	A1	**3 months**
01-Oct-13	Credit Agricole SA **[part of Credit Agricole Group]**	FRA	A1	**3 months**
01-Oct-13	Société Générale	FRA	A1	**3 months**
01-Oct-13	Deutsche Bank AG	GER	A1	**12 months**
01-Oct-13	Bank Nederlandse Gemeenten	NL	F1+	**12 months**
01-Oct-13	ING Bank NV	NL	A1	**3 months**
01-Oct-13	Rabobank	NL	F1+	**12 months**
01-Oct-13	Svenska Handelsbanken	SWE	F1+	**12 months**
01-Oct-13	Credit Suisse	SWI	F1	**3 months**
01-Oct-13	Bank of Scotland Plc **[part of Lloyds Group]**	UK	F1	**6 months**
01-Oct-13	Barclays Bank plc	UK	F1	**12 months**
01-Oct-13	HSBC Bank plc	UK	F1+	**12 months**
01-Oct-13	Lloyds TSB Bank **[part of Lloyds Group]**	UK	F1	**6 months**
01-Oct-13	Nationwide Building Society	UK	F1	**12 months**
01-Oct-13	Santander UK plc **[part of Banco Santander]**	UK	F1	**6 months**
01-Oct-13	Standard Chartered Bank	UK	F1+	**12 months**
01-Oct-13	JP Morgan	US	A1	**12 months**

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.
Base 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 and multilateral development banks. Interest is paid by the issuer to the bond holder at regular pre-agreed periods. The repayment date of the principal is also 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.
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. Uniquely among the UK accountancy bodies, CIPFA has responsibility for setting accounting standards for a significant part of the economy, namely local government.
Counterparty	Organisation with which the Council makes an investment
Credit Default Swaps	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.
International Financial Reporting Standards (IFRS)	The set of accounting rules applicable to all local authorities from 1 April 2010.
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.