APPENDIX

Lewes District Council

Mid-year Treasury Management Report 2017/2018

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 to 30 September 2017.

2. Overall Summary of Activity

2.1 At its meeting in February 2017, the Council agreed its Treasury Management Strategy Statement and Investment Strategy 2017/18 to 2019/20. 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, 31 March 2018	£84.016 million	£107.069 million (projection 31 March)	-
Internal borrowing at year end	£27.343 million	£23.206 million with potential need to borrow additional £27.190m (projection 31 March)	-
New external long-term borrowing in year	None anticipated	None undertaken Apr to Sept '17.	✓
Debt rescheduling in year	Review options but not anticipated	Options kept under review, none undertaken Apr to Sept' 17.	✓
Interest payments on external borrowing	£1.730 million	£0.861m (to date)	✓
Investments			
Minimum counterparty credit rating for unsecured investments	Long-term BBB+ (does not apply to Government and other local authorities which have the highest ratings)	Long-term A	✓
Income returns from external investments	£0.104m	£0.043m (to date)	✓

Key Element	Target in Strategy	Actual Performance	
Appointment of Investment Consultants			
Independent Treasury Adviser to be retained	Decide on options - Arlingclose contract ends June 2017	Exercised option to extend Arlingclose contract by 12 months to June 2018	✓
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 took place September 2017. Councillor briefing session anticipated December 2017/January 2018	✓

2.2 For those who are looking for more than this overall confirmation that all treasury management and investment activity in 2017/18 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 2014/15 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 2017/18.

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 2017/18, 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 2017, 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 some of which span financial years, for example the development of a new fire station on the Springman House site in the North Street quarter Lewes for which £3.5m is allocated. This project had not been included in the original capital programme for 2017/18, which has also been amended to include £20m as a loan allocation to Lewes Housing investment Company and Aspiration Homes (a Limited Liability Partnership co-owned by the Council and Eastbourne Borough Council) to facilitate the development of new mixed tenure housing.

	2017/18 Original £m	2017/18 Projected £m
Opening CFR	79.580	77.042
Capital expenditure in year (projected)	14.556	47.587
Less financed	(8.893)	(16.450)
Less amount set aside for debt repayment	(1.137)	(1.114)
Closing CFR	84.016	107.069

3.5 As at 30 September 2017, capital expenditure with a total value of £2.706m had been incurred (excluding commitments) compared with the approved capital programme of £47.6m (including £6.3m brought forward from 2016/17). £16.5m of total capital expenditure will be funded from existing capital resources, with £31.1m to be funded from borrowing, including £20.0m for the loan facility to Lewes Housing Investment Company and Aspiration Homes, £4.9m to continue a programme of commercial development, £3.5m for the Springman House site and £2.7m for new Council-owned homes.

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

	2017/18 Original £m	2017/18 Projected £m
General Fund CFR	18.848	39.823
Housing Revenue Account CFR	65.168	67.246
Total CFR	84.016	107.069

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). It indicates a potential need to borrow an additional £27.190m dependent on the delivery of the capital programme projects noted in para 3.5 and the level of working capital held. Any need to borrow can be met either by long-term fixed rates loans (the Council qualifies for new borrowing at the ‘Certainty Rate’, 0.20% below the PWLB standard rate) or short-term borrowing (which is likely to be avaiable at lower rates of interest than long-term loans), or a combination. Officers will liaise closely with Arlingclose when deciding the duration or terms of any new borrowing. The cost to the General Fund of any new borrowing would be offset by income generated from the project (eg Lewes Housing Investment Company would pay interest to the Council on all loans advanced to it).

	31/3/18 Original £m	31/3/18 Projected £m
(a) Capital Financing Requirement	84.016	107.069
(b) Actual external borrowing	(56.673)	(56.673)
(c) Use of Balances and Reserves and working capital as alternative to borrowing (a)–(b)	(27.343)	(23.206)
(d) Potential additional borrowing requirement	0.000	27.190

3.8 Total interest payable on long-term borrowing in the period to 30 September 2017 was £0.861m, representing the first of two instalments of interest due on a £5m market loan from Barclays Bank at the rate of 4.5% with a term of 50 years maturing in April 2054 and a £51.67m portfolio of loans from the PWLB. The PWLB loan portfolio comprises £46.67m spread across 11 separate loans with a range of fixed interest rates and maturity dates and a £5m variable rate loan currently charged at 0.45%.

3.9 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. No rescheduling opportunities arose during the first half of 2017/18 which would be cost-effective for the General Fund and Housing Revenue Account in the light of current and expected market conditions.

3.10 In the period to September 2017, four temporary loans had been taken for cash flow purposes. The highest level of temporary borrowing was £7.0m (27 April 2017) and all loans had been repaid by 1 June 2017.

4. Detailed Analysis - Investments

4.1 The Council held on average £16.11m available for investment in the period to 30 September 2017. 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:

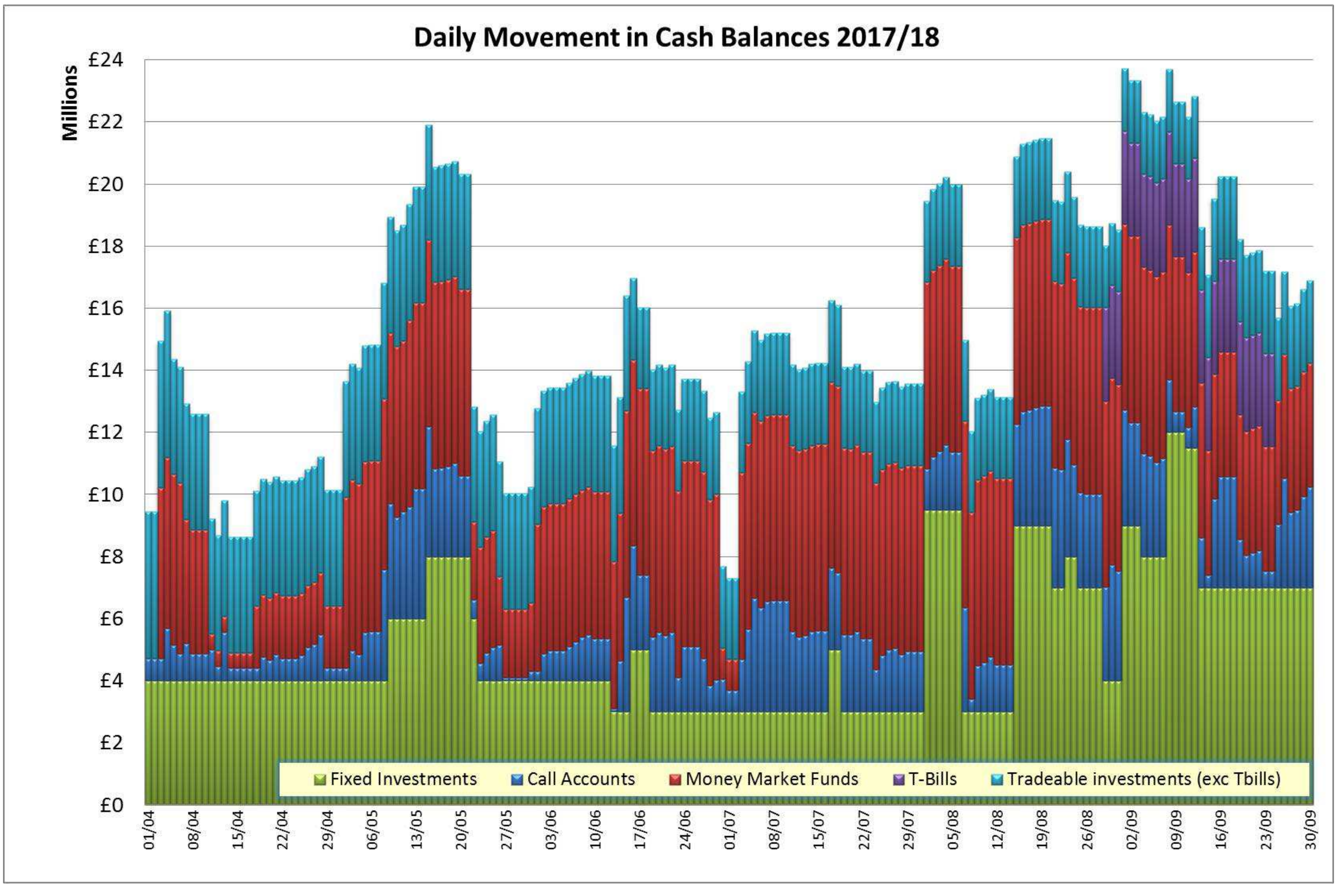
> ***highest priority -*** security of the invested capital;
> ***followed by -*** liquidity of the invested capital;
> ***finally -*** an optimum yield commensurate with security and liquidity.

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 2017/2018. Investments during the period included:

- Fixed Term Deposits with the Debt Management Office (total £36.50m)

- Fixed Term Deposits with other Local Authorities (total £15.20m)
- Fixed Term Deposits with UK Banks/Building Societies (total £5.00m)
- Investments in Money Market Funds (MMFs) (average balance held in period £4.85m)
- United Kingdom Treasury Bills (average balance £0.38m)
- Tradable Investments -Floating Rate Notes, Certificates of Deposit, Bonds (average balance £3.13m)
- Deposit accounts with UK Banks (average balance held in year £1.13m)
- Overnight deposits with the Council's banker, Lloyds Bank (average balance held in year £0.89m)

The chart below shows the profile of total investments from 1 April to 30 September. The total invested ranged from £7.3m (end of June) to £23.3m (beginning of September).



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 BBB+ 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.

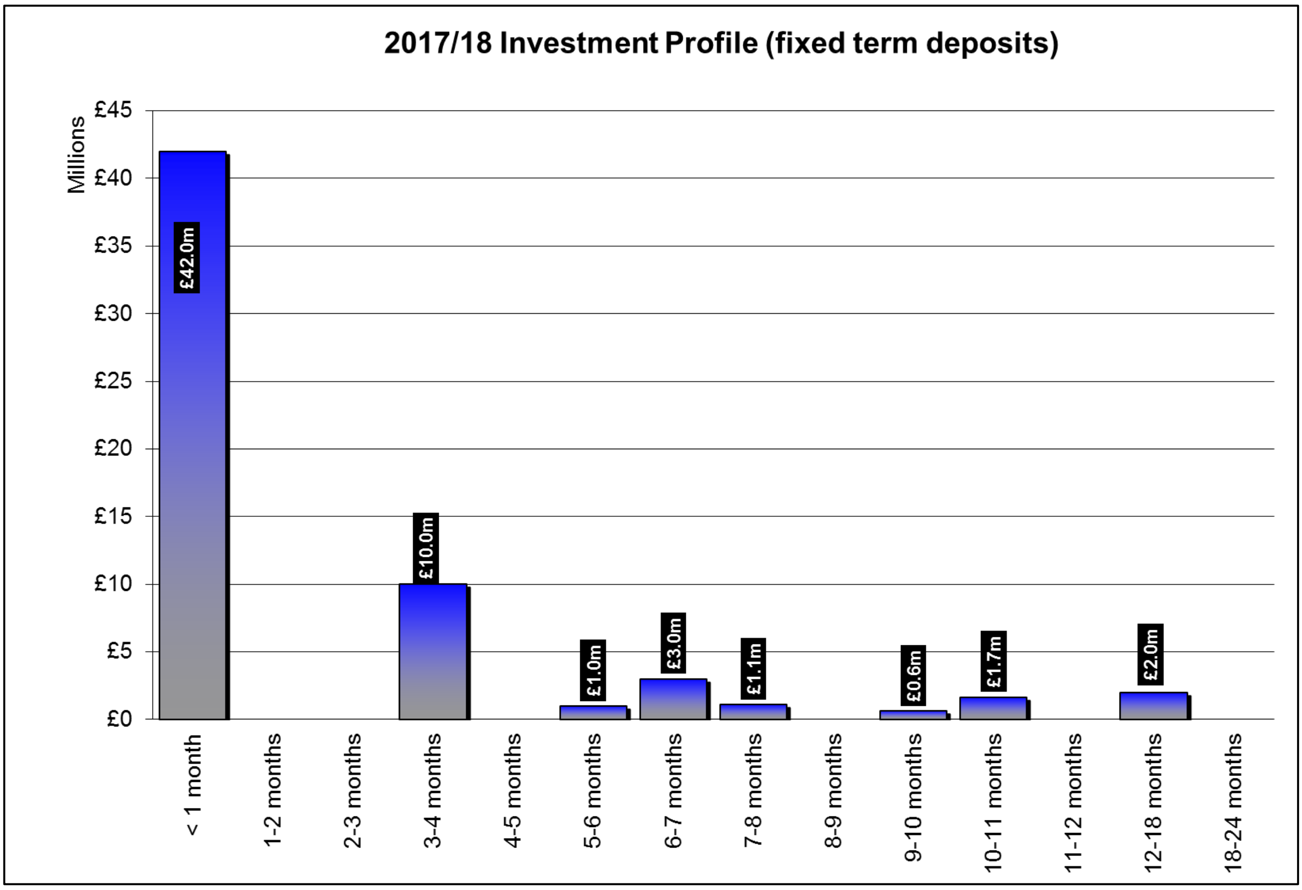
4.7 The Council sought to optimise returns commensurate with its objectives of security and liquidity. The Treasury Management Strategy anticipated no change to the UK Bank Rate of 0.25% through the whole of 2017/18. Although the Bank of England has made no change during the first half of the year, minutes of the September 2017 meeting of its Monetary Policy Committee implied an increase in Bank Rate in coming months with the aim of returning inflation to target. While Arlingclose's central view remains that the Bank Rate will remain unchanged through to December 2020, they have noted a risk of an increase to 0.50% in September 2018.

4.8 Interest generated from investments in the year to date was £0.043m) and is projected to attain the full year budget, £0.104m.

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 2017	0.44%	0.11%
Average rate of investments in Q2 end 30 Sept 2017	0.41%	0.11%
Average rate of return Q1 to Q2	0.43%	0.11%

4.10 A full list of temporary deposits and fixed maturity date investments 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 There were a few credit rating changes during the quarter. The significant change was the downgrade by Moody's to the UK sovereign rating in September from Aa1 to Aa2 which resulted in subsequent downgrades to sub-sovereign entities including local authorities. Moody's downgraded Standard Chartered Bank's long-term rating to A1 from Aa3 on the expectation that the bank's profitability will be lower following management's efforts to de-risk their balance sheet. The agency also affirmed Royal Bank of Scotland's and NatWest's long-term ratings at Baa1, placed Lloyds Bank's A1 rating on review for upgrade, revised the outlook of Santander UK plc, and Nationwide and Coventry building societies from negative to stable but downgraded the long-term rating of Leeds BS from A2 to A3. The agency downgraded long-term ratings of the major Canadian banks on the expectation of a more challenging operating environment and the ratings of the large Australian banks on its view of the rising risks from their exposure to the Australian housing market and the elevated proportion of lending to residential property investors.

5.2 S&P also revised Nordea Bank's outlook to stable from negative, whilst affirming their long-term rating at AA-. The agency also upgraded the long-term rating of ING Bank from A to A+.

5.3 Ring-fencing, which requires the larger UK banks to separate their core retail banking activity from the rest of their business, is expected to be implemented within the next year. In May, following Arlingclose's advice, the Council reduced the maximum duration of potential unsecured investments with Bank of Scotland, HSBC Bank and

Lloyds Bank from 13 months to 6 months as until banks' new structures are finally determined and published, the different credit risks of the 'retail' and 'investment' banks cannot be known for certain.

5.4 New EU regulations for Money Market Funds were finally approved and published in July and existing funds will have to be compliant by no later than 21st January 2019. The key features include Low Volatility NAV (LVNAV) Money Market Funds which will be permitted to maintain a constant dealing NAV, providing they meet strict new criteria and minimum liquidity requirements. MMFs will not be prohibited from having an external fund rating (as had been suggested in draft regulations). Arlingclose expects most of the short-term MMFs it recommends to convert to the LVNAV structure and awaits confirmation from each fund.

5.5 At 30 September 2017, 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	Standard Chartered Bank
Coventry Building Society	Leeds Building Society
Nationwide Building Society	

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

6. Internal Borrowing

6.1 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 2017/2018, 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 2017/18, but the final amount will not be determined until the close of the year, dependent on the capital programme outturn. The HRA capital programme at 30 September 2017 includes £2.72m 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 is on track to comply with its Prudential Indicators for 2017/18, which were set in February 2017 as part of the Council's Treasury Management Strategy Statement. Actual borrowing has remained within the Authorised Limit for External Debt (£85.5m) and the Operational Boundary for External Debt (£80.0m).

8. Regulatory Updates

8.1 **MiFID II.** Local authorities are currently treated by regulated financial services firms as professional clients who can "opt down" to be treated as retail clients instead. However, from 3 January 2018, as a result of the EU's second Markets in Financial Instruments Directive (MiFID II), local authorities will be treated as retail clients who can "opt up" to be professional clients, providing that they meet certain criteria. Regulated financial services firms include banks, brokers, advisers, fund managers and custodians, but only where they are selling, arranging, advising or managing designated investments. In order to opt up to professional, the local authority must have an investment balance of at least £10m and the person authorised to make investment decisions on behalf of the authority must have at least one year's relevant professional experience. In addition, the regulated firm must assess that that person has the expertise, experience and knowledge to make investment decisions and understand the risks involved.

8.2 The main additional protection for retail clients is a duty on the regulated firm to ensure that the investment is "suitable" for the client. However, local authorities are not protected by the Financial Services Compensation Scheme nor are they eligible to complain to the Financial Ombudsman Service whether they are retail or professional clients. It is also likely that retail clients will face an increased cost and potentially restricted access to certain products including money market funds, pooled funds, treasury bills, bonds, shares and to financial advice.

8.3 The Council meets the conditions to opt up to professional status and intends to do so in order to maintain its current MiFID status, retaining access to a wider range of investment categories, brokers and treasury advisors than would be available to it as a retail client.

8.4 **CIPFA Consultation on Prudential and Treasury Management Codes:** In February 2017 CIPFA canvassed views on the relevance, adoption and practical application of the Treasury Management and Prudential Codes and after reviewing responses launched a further consultation on changes to the codes in August with a deadline for responses of 30th September 2017.

8.5 The proposed changes to the Prudential Code include the production of a new high-level Capital Strategy report to full Council which will cover the basics of the capital programme and treasury management. The prudential indicators for capital expenditure and the authorised borrowing limit would be included in this report but other indicators may be delegated to another committee. There are plans to drop certain prudential indicators, however local indicators are recommended for ring fenced funds (including the HRA) and for group accounts (incorporating Lewes

Housing Investment Company). Other proposed changes include applying the principles of the Code to subsidiaries.

8.6 Proposed changes to the Treasury Management Code include the potential for non-treasury investments such as commercial investments in properties in the definition of "investments" as well as loans made or shares brought for service purposes. Another proposed change is the inclusion of financial guarantees as instruments requiring risk management and addressed within the Treasury Management Strategy. Approval of the technical detail of the Treasury Management Strategy may be delegated to a committee rather than needing approval of full Council. There are also plans to drop or alter some of the current treasury management indicators.

8.7 CIPFA intends to publish the two revised Codes towards the end of 2017 for implementation in 2018/19, although CIPFA plans to put transitional arrangements in place for reports that are required to be approved before the start of the 2018/19 financial year. The Department of Communities and Local Government (DCLG) and CIPFA wish to have a more rigorous framework in place for the treatment of commercial investments as soon as is practical. It is understood that DCLG will be revising its Investment Guidance (and its MRP guidance) for local authorities in England; however there have been no discussions with the devolved administrations yet.

9. Reporting and Training

9.1 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 2017/18.

9.2 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 December 2017 or January 2018.

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 2017/18.

10. Investment Consultants

10.1 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.

10.2 The Council exercised the option to extend this agreement to the end of June 2017 and following discussion with Arlingclose has now opted to maintain the appointment for a further year. The appointment of an investment consultant from July 2018 onwards is expected to be made in conjunction with Eastbourne Borough Council given that a shared finance team (with treasury management responsibility) is being established.

Appendix A – Economic Background explained by Arlingclose

The UK Consumer Price Inflation (CPI) index rose with the data print for August showing CPI at 2.9%, its highest since June 2013 as the fall in the value of sterling following the June 2016 referendum result continued to feed through into higher import prices. The new inflation measure CPIH, which includes owner occupiers' housing costs, was at 2.7%.

The unemployment rate fell to 4.3%, its lowest since May 1975, but the squeeze on consumers intensified as average earnings grew at 2.5%, below the rate of inflation. Economic activity expanded at a much slower pace as evidenced by Q1 and Q2 GDP growth of 0.2% and 0.3% respectively. With the dominant services sector accounting for 79% of GDP, the strength of consumer spending remains vital to growth, but with household savings falling and real wage growth negative, there are concerns that these will be a constraint on economic activity in the second half of calendar 2017.

The Bank of England made no change to monetary policy at its meetings in the first half of the financial year. The vote to keep Bank Rate at 0.25% narrowed to 5-3 in June highlighting that some MPC members were more concerned about rising inflation than the risks to growth. Although at September's meeting the Committee voted 7-2 in favour of keeping Bank Rate unchanged, the MPC changed their rhetoric, implying a rise in Bank Rate in "the coming months". Arlingclose is not convinced the UK's economic outlook justifies such a move at this stage, but the Bank's interpretation of the data seems to have shifted.

Geopolitical tensions escalated in August as the US and North Korea exchanged escalating verbal threats over reports about enhancements in North Korea's missile programme. The provocation from both sides helped wipe off nearly $1 trillion from global equity markets but benefited safe-haven assets such as gold, the US dollar and the Japanese yen. Tensions remained high, with North Korea's threat to fire missiles towards the US naval base in Guam, its recent missile tests over Japan and a further testing of its latent nuclear capabilities.

Prime Minister Theresa May called an unscheduled General Election in June, to resolve uncertainty but the surprise result has led to a minority Conservative government in coalition with the Democratic Unionist Party. This clearly results in an enhanced level of political uncertainty. Although the potential for a so-called hard Brexit is diminished, lack of clarity over future trading partnerships, in particular future customs agreements with the rest of the EU block, is denting business sentiment and investment. The reaction from the markets on the UK election's outcome was fairly muted, business confidence now hinges on the progress (or not) on Brexit negotiations, the ultimate 'divorce bill' for the exit and whether new trade treaties and customs arrangements are successfully concluded to the UK's benefit.

In the face of a struggling economy and Brexit-related uncertainty, Arlingclose expects the Bank of England to take only a very measured approach to any monetary policy tightening, any increase will be gradual and limited as the interest rate backdrop will have to provide substantial support to the UK economy through the Brexit transition.

Outlook for the remainder of 2017/18

The UK economy faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. Both consumer and business confidence remain subdued. Household consumption growth, the driver of UK GDP growth, has softened following a contraction in real wages. Savings rates are at an all-time low and real earnings growth (i.e after inflation) struggles in the face of higher inflation.

The Bank of England's Monetary Policy Committee has changed its rhetoric, implying a rise in Bank Rate in "the coming months". Arlingclose is not convinced the UK's economic outlook justifies such a move at this stage, but the Bank's interpretation of the data seems to have shifted.

This decision is still very data dependant and Arlingclose is, for now, maintaining its central case for Bank Rate at 0.25% whilst introducing near-term upside risks to the forecast as shown below. Arlingclose's central case is for gilt yields to remain broadly stable in the across the medium term, but there may be near term volatility due to shifts in interest rate expectations.

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Official Bank Rate													
Upside risk	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
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	0.00	0.00	0.00	0.00	0.00	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 2017

Ref	Counterparty	From	To	Da	Principal	Int	Rating
232016	Thurrock Borough Council	28 Nov 16	30 May 17	183	3,000,000	0.35%	*
233516	Nationwide Building Society	13 Dec 16	13 Jun 17	182	1,000,000	0.42%	A+
234917	Coventry Building Society	9 May 17	23 May 17	14	2,000,000	0.13%	A
235017	Eastbourne Borough Council	30 May 17	30 Aug 17	92	3,000,000	0.32%	*
235117	Debt Management Office	15 May 17	22 May 17	7	2,000,000	0.10%	*
235217	Coventry Building Society	16 Jun 17	19 Jun 17	3	2,000,000	0.11%	A
235317	Debt Management Office	17 Jul 17	19 Jul 17	2	2,000,000	0.10%	*
235417	Debt Management Office	1 Aug 17	7 Aug 17	6	6,500,000	0.10%	*
235517	Debt Management Office	15 Aug 17	21 Aug 17	6	2,000,000	0.10%	*
235617	Debt Management Office	15 Aug 17	25 Aug 17	10	4,000,000	0.10%	*
235717	Debt Management Office	23 Aug 17	4 Sep 17	12	1,000,000	0.10%	*
235817	Debt Management Office	25 Aug 17	29 Aug 17	4	3,000,000	0.10%	*
235917	Eastbourne Borough Council	29 Aug 17	30 Nov 17	93	3,000,000	0.26%	*
236017	Debt Management Office	1 Sep 17	4 Sep 17	3	5,000,000	0.10%	*
236117	Debt Management Office	4 Sep 17	11 Sep 17	7	5,000,000	0.10%	*
236217	Eastbourne Borough Council	8 Sep 17	8 Dec 17	91	4,000,000	0.25%	*
236317	Debt Management Office	11 Sep 17	13 Sep 17	2	4,500,000	0.10%	*

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 1/100th 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 financed 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	Institution with which the Council may make 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.
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.