Report of	Meeting	Date
Director (Finance) and Section 151 Officer	Governance Committee	Wednesday, 31 July 2024

Treasury Management Outturn Report 2023/24

Is this report confidential?	No

Is this decision key?	No

Savings or expenditure amounting to greater than £100,000	n/a

Purpose of report

1. To report on Treasury Management performance and compliance with Prudential Indicators for the financial year ended 31 March 2024.

Recommendation to Governance Committee

2. Members are asked to note, provide feedback and ask appropriate questions in relation to the content of the report.

Reasons for recommendations

3. Production of an Annual Report is a requirement under the Treasury Management Code of Practice.

Other options considered and rejected

4. It is a requirement to report on Treasury Management across the financial year.

Corporate priorities

5. The report relates to the following corporate priorities:

Housing where residents can live well	**A green and sustainable borough**
An enterprising economy with vibrant local centres in urban and rural areas	**Healthy, safe and engaged communities**

Background to the report

6. This report advises on compliance with Prudential and Treasury Indicators in 2023/24. The return on investments for the year was 4.28**%,** which was higher than the previous year. Details of borrowing and investments as at 31 March 2024 are presented in the report.

7. Borrowings and investments as at 31 March 2024 are also presented, and Link Asset Services have provided updated interest rate forecasts for 2023/24 and subsequent financial years.

8. The Treasury Strategy for 2023/24 to 2025/26 was approved by Council on 28 February 2023. The strategy included prudential and treasury indicators, the treasury management strategy, annual investment strategy (including the list of approved investment counterparties), and the annual Minimum Revenue Provision (MRP) Policy.

9. A mid-year review of Treasury Management activity was presented to Governance Committee on 29 November 2023. This reported that during the first half of 2023/24, levels of interest available for investments was increasing from historical lows the previous year.

10. On 28 February 2023 Council approved the Treasury Strategy for 2023/24 to 2025/26, which included revised prudential and treasury indicators for 2023/24. Where relevant, comparisons with 2023/24 indicators in this outturn report are to those approved most recently.

11. A glossary of technical terms used in this report is presented as Appendix F.

Capital Expenditure and Financing 2023/24

12. The Council undertakes capital expenditure on long-term activities. These activities may either be:
    - financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
    - if sufficient financing is not available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

13. The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure for 2023/24.

Table 1 – Capital Expenditure	2023/24 Estimate £'000	2023/24 Revised £'000	2023/24 Actual £'000	2023/24 Variance £'000
An enterprising economy with vibrant local centres in urban and rural areas	11,415	4,302	8,578	4,276
A green and sustainable borough	2,189	784	304	(480)
Housing where residents can live well	7,499	8,476	4,149	(4,327)
Healthy, safe and engaged communities	0	369	154	(215)
Capital Expenditure Total	**21,103**	**13,931**	**13,185**	**(746)**

14. In addition to the usual range of factors which can affect the timing of capital projects, the progression of the 2023/24 programme was affected by rising construction costs and interest rates impacting on business cases for a number of schemes, and the effect of global supply chain issues on IT projects in particular.

15. Additional analysis of the schemes included in the 2023/24 Capital Programme was presented to Executive Cabinet on 13 June 2024 in the report 'Capital Programme and Balance Sheet Monitoring'.

Financing of the capital expenditure is shown in the following table.

Table 2 – Capital Financing 2023/24	2023/24 Estimate £'000	2023/24 Revised £'000	2023/24 Actual £'000	2023/24 Variance £'000
Capital Expenditure (from Table 1)	21,103	13,931	13,185	(746)
Capital Receipts	0	(125)	(245)	(120)
Grants & Contributions	(5,481)	(4,097)	(2,524)	1,573
Revenue & Reserves	(554)	(891)	(556)	335
NET FINANCING NEEDED FOR YEAR	**15,068**	**8,818**	**9.860**	**1,042**

Capital Financing Requirement 2023/24

16. The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the unfinanced capital expenditure in 2023/24 plus prior years' unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

17. Part of the Council's treasury activity is to address the funding requirement for this borrowing need. Depending on the capital expenditure programme, the Council's cash position is organised to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board (PWLB), or the money markets), or utilising temporary cash resources within the Council.

18. The CFR is not matched in full by external borrowing, so the Council is said to have under borrowed by using its own cash balances to finance capital expenditure. There is some loss of interest as a result, but had external loans been taken, then the interest payable would have been at a higher rate. Use of the Council's own cash helps to achieve savings in net interest.

19. The Council's underlying borrowing need is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision (MRP), to reduce the CFR. This is effectively a repayment of the borrowing need. This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can be borrowed and repaid, but this does not change the CFR.

20. The total CFR can also be reduced by:

- the application of additional capital financing resources (such as unapplied capital receipts); or

- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

21. The 2023/24 MRP Policy (as required by MHCLG Guidance) was approved by Council as part of the Treasury Strategy for 2023/24 to 2025/26 on 28 February 2023.

22. The Council's CFR for the year is shown in Table 3 below and represents a key prudential indicator. It includes financing by means of a finance lease for leisure related capital investment, which increases the Council's borrowing need.

Table 3 – Capital Financing Requirement	2023/24 Estimate £'000	2023/24 Revised £'000	2023/24 Actual £'000	2023/24 Variance £'000
Opening CFR	102,755	102,335	102,335	(0)
Net financing need for the year (Table 2)	15,068	8,818	9,860	1,042
Less MRP / VRP	(1,530)	(1,427)	(1,442)	(15)
Closing CFR	**116,293**	**109,726**	**110,753**	**1,027**

See also Note 35 Capital Expenditure and Financing in the Statement of Accounts 2023/24.

The CFR and Gross Debt

23. Borrowing activity is constrained by prudential indicators for gross borrowing and the CFR, and by the authorised limit.

24. **Gross borrowing and the CFR**. In order to ensure that borrowing levels are prudent over the medium term and are only for capital purposes, the Council ensures that its gross external borrowing does not, except in the short term, exceed the total of the CFR in the preceding year (2022/23) plus the estimates of any additional CFR for the current (2023/24) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator would allow the Council some flexibility to borrow in advance of its immediate capital needs.

25. No additional long-term loans from the PWLB were taken out in 2023/24 to fund the Capital Programme.

Table 4 – Portfolio Position	2023/24 Estimate £'000	2023/24 Revised £'000	2023/24 Actual £'000	2023/24 Variance £'000
Debt at 1 April	76,327	68,351	68,351	0
Other Long-Term Liabilities (OLTL)	15	0	0	0
Total Gross Debt 1 April	76,342	68,351	68,351	0
Change in Debt	15,067	(1,838)	(1,838)	0
Change in OLTL	0	0	0	0
Change in Gross Debt	15,067	(1,838)	(1,838)	0
Gross Debt 31 March	91,410	66,513	66,513	0
Capital Financing Requirement (Table 3)	116,293	109,726	110,753	1,027

Under / (Over) Borrowing	**24,883**	**43,213**	**44,240**	**1,027**

26. An analysis of external borrowing as at 31 March 2024 is presented in Appendix A.

27. **The authorised limit**. This is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level, except that under s5 of the Act, the authorised limit may be treated as increased in relation to any payment which:

(i) is due to the authority which has not yet been received by it, and
(ii) was not a delayed receipt of a payment which was taken into account when the limit was first arrived at.

The limit set for 2023/24 by Council on 28 February 2023, based on the operational boundary plus a margin of 10%, was £103.673m and actual gross was £66.513m. The Council has therefore maintained gross borrowing within its authorised limit throughout the year.

28. **The operational boundary**. This is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached. The operational boundary set for 2023/24 was £94.25m, based on anticipated long-term debt plus a margin for potential day-to-day cash flow requirements equivalent to 20% of the Net Cost of Services. Actual gross debt at 31 March 2024 was £66.513m. The Council remained within its operational boundary throughout the year.

29. **Actual financing costs as a proportion of net revenue stream**. This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income), against the revenue stream (council tax, business rates, and various Government grants).

Table 5 – Ratio of Financing Costs to Net Revenue Stream	2023/24 Estimate %	2023/24 Actual %	2023/24 Variance %
Ratio	17.43	17.94	0.51

Treasury Position As At 31 March 2024

Treasury management debt and investment position

30. The Council’s treasury management debt and investment position is organised to ensure adequate liquidity for revenue and capital activities, security for investments, and to manage risks within all treasury management activities. Gross debt is shown in Table 4, and Investments (including Cash and Cash equivalents but excluding accrued interest) are shown in Table 6.

Table 6 – Year End Resources 2023/24	2023/24 Estimate £'000	2023/24 Revised £'000	2023/24 Actual £'000	2023/24 Variance £'000
Core Funds / Working Balances	(27,818)	(44,463)	(48,770)	(4,307)
Under / (over) borrowing (Table 4)	24,883	43,213	44,240	1,027
Investments	(2,935)	(1,250)	(4,530)	(3,280)

31. The working balances held at 31 March 2024 were as expected. A detailed analysis of Short-Term Investments and Cash and Cash Equivalents is presented as Appendix B. The maximum balance invested with each counterparty complied with the limits approved by the Council. Appendix C presents the approved counterparty limits for 2023/24.

32. The Council approved that a maximum of £4m should only be invested with UK local authorities for more than 365 days and up to two years, with a maximum of £2m per individual authority. No sums were invested for more than 365 days. The maximum periods of investment, and the limits on the amount that can be invested per institution, are detailed in Appendix C.

Table 7 – Maximum Principal Sums Invested >365 Days	2023/24 Estimate £'000	2023/24 Revised £'000	2023/24 Actual £'000	2023/24 Variance £'000
UK Government	0	0	0	0
UK Local Authorities **	4,000	4,000	0	(4,000)
UK Banks & Building Societies	0	0	0	0
Non-UK Banks	0	0	0	0
Total	**4,000**	**4,000**	**0**	**(4,000)**
** Maximum of £2 million per local authority				

Investment Performance 2023/24

Review of Performance

33. Investment returns dropped to historically exceptionally low levels during 2020/21 and 2021/22. However, since the rate of 0.75% in April 2022, a number of increases resulted in The Bank of England base rate reaching 4.25% by March 2023, which further increased to 5.25% in March 2024. This is reflected in the average yield for 2023/24 of 4.28% being significantly higher than in the previous year.

34. **Investment Policy.** The Council's investment policy is governed by MHCLG investment guidance, which has been implemented in the annual investment strategy approved by Council for 2023/24. This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as ratings outlooks, credit default swaps, banks share prices etc.). Link Asset Services, the Council's treasury advisors, provide suggested investment durations for the approved counterparties. During 2023/24 no new cash was invested in term deposits. To manage the Council's cash flow, balances were held only in highly liquid accounts, specifically in call accounts and MMFs.

Investment performance in 2023/24 is presented in Table 8.

Table 8 – Investment Performance 2023/24	Average Daily Investment £'000	Interest 2023/24 £'000	Average Rate %
Debt Management Office	3,649	175	4.80%
Other Fixed Term Deposits	0	0	0.00%
Notice Accounts	0	0	0.00%
Call Accounts – BPA	1,842	35	2.00%
Money Market Funds	3,136	159	5.08%
Total	**8,627**	**369**	**4.28%**

35. The average return of 4.28% in 2023/24 is significantly higher than that achieved in 2022/23 and reflects the rise in interest rates throughout the financial year.

36. Appendix C presents the counterparty limits for 2023/24. It is unlikely that cash will be invested in anything other than liquid accounts with instant access.

Investment Counterparty Limits

37. These remain unchanged from those approved by Council on 28 February 2023 and there are no current proposals for any changes.

Advice Of Link Asset Services

38. Link Asset Services' review of the Economy and Interest Rates in 2023/24 is presented as Appendix D.

39. Appendix E is Link Asset Services' forecast for interest rates.

Climate change and air quality

40. The work noted in this report does not impact the climate change and sustainability targets of the Councils Green Agenda and all environmental considerations are in place.

Equality and diversity

41. Not applicable

Risk

42. Regular monitoring and reporting of the Council's Treasury Management position ensure compliance with Prudential Indicators and the Treasury Management Code of Practice.

Comments of the Statutory Finance Officer

43. There are no direct financial implications arising from this report. All financial implications in respect of treasury management activity arise as a result of the annual Treasury Strategy for 2023/24 approved previously by Council. This report presents details of actual performance achieved as a result of implementing the approved strategies. Variances from the revised budgets for interest receivable and payable for 2023/24 were reflected in the report 'Capital and Balance Sheet Outturn 2023/24' presented to Cabinet on 13 June 2024.

44. In March 2020 the government consulted on revising the PWLB's lending terms and to end the situation in which a minority of local authorities used PWLB loans to support the acquisition of investment assets primarily for yield.

45. In November 2020, the government published its response to this consultation and implemented these reforms.

46. The Council is compliant with the latest PWLB reforms.

Comments of the Monitoring Officer

47. Presentation of this report is required to comply with the CIPFA Code of Practice on Treasury Management in the Public Services (2021 edition).

Background documents

- CIPFA Treasury Management in the Public Services: Code of Practice & Cross-Sectoral Guidance Notes (December 2017 edition)
- CIPFA Treasury Management in the Public Services: Guidance Notes for Local Authorities (July 2018 edition)
- CIPFA Prudential Code for Capital Finance in Local Authorities (December 2017 edition)
- CIPFA Standards of Professional Practice: Treasury Management
- DLUHC Guidance on Local Government Investments
- DLUHC Guidance on Minimum Revenue Provision
- Treasury Management Strategy Statement 2023/24 to 2025/26 (Council 28 February 2023)

Appendices

Appendix A: External Borrowing as at 31 March 2024

Appendix B: Investments as at 31 March 2024

Appendix C: Investment Counterparties 2023/24

Appendix D: Link Asset Services' Economic Update 2023/24

Appendix E: Link Asset Services' commentary on Interest Rates

Appendix F: Glossary of Terms

Louise Mattinson
Director of Finance

Report Author:	Email:	Telephone:	Date:
Oliver Dent	Oliver.Dent@chorley.gov.uk	01257 519077	9/7/2024

External Borrowing 31 March 2024

Type of loan	Loan number	Start date	Maturity date	Interest Rate %	Total £000
PWLB loan - Annuity	502694	29/11/2013	26/11/2063	4.34	1,552
PWLB loan - Annuity	502695	29/11/2013	26/11/2043	4.18	1,541
PWLB loan - Annuity	502696	29/11/2013	26/11/2038	4.02	1,387
PWLB loan - Annuity	502697	29/11/2013	26/05/2033	3.69	1,120
PWLB loan - Annuity	502698	29/11/2013	26/05/2028	3.18	701
PWLB loan - Maturity	506764	21/12/2017	21/12/2067	2.31	2,500
PWLB loan - EIP	506766	21/12/2017	21/12/2031	1.76	1,429
PWLB loan - EIP	508381	17/01/2019	17/01/2054	2.51	2,571
PWLB loan - EIP	508382	17/01/2019	17/01/2059	2.58	2,625
PWLB loan - EIP	509178	24/04/2019	24/04/2044	2.23	2,050
PWLB loan - Annuity	509641	09/08/2019	09/08/2059	1.87	29,471
PWLB loan - Annuity	509689	16/08/2019	16/08/2059	1.86	1,842
PWLB loan - EIP	509691	16/08/2019	16/08/2039	1.32	2,325
PWLB loan - EIP	165470	28/02/2020	28/02/2060	2.71	5,400
PWLB loan - Maturity	490068	01/03/2022	01/03/2072	2.02	10,000
Public Works Loan Board Total					66,513
Local Authorities total (invested for less than 1 year)					20,089
External Borrowing Total					86,601

APPENDIX B

List of Investments as at 31/3/2024

Counterparty	Type	Amount £'000	Rate %	Date	Maturity
Fixed Term Deposit Subtotal		**0**			
Barclays BPA Deposit Account	Call	440	2.00%	On Call	n/a
Lloyds Call Account	Call	490	5.14%	On Call	n/a
Call Accounts Subtotal		**930**			
Federated	MMF	3,000	5.28%	On Call	n/a
Aberdeen Standard	MMF	600	5.25%	On Call	n/a
Blackrock	MMF	0	n/a%	On Call	n/a
Money Markets Funds Subtotal		**3,600**			
Total		**4,530**			

Investment Counterparties 2023/24

Category	Institutions	Maximum Period	Limit per institution
Banks & Building Societies: Call Accounts/Term Deposits/Certificates of Deposit (CDs)			
Government related/guaranteed entities	DMADF (DMO) UK Local Authority	6 Months 1 year 2 years	Unlimited £3m per LA £2m per LA; £4m in total
UK part-nationalised institutions	Royal Bank of Scotland group	1 year	£4m per group
UK-incorporated Insitutions	UK banks and building societies of high credit quality	1 year 6 months 3 months	£5m per group (or institution if independent)
Money Market Funds			
Money Market Funds	MMFs of high credit quality - AAA rated	Instant Access	£5m per fund

LINK Asset Services - Economic Update 2023/24

UK Economy

Against a backdrop of stubborn inflationary pressures, the Russian invasion of Ukraine, and war in the Middle East, UK interest rates have continued to be volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2023/24.

Markets have sought an end to central banks' on-going phase of keeping restrictive monetary policy in place on at least one occasion during 2023/24 but to date only the Swiss National Bank has cut rates and that was at the end of March 2024.

UK, EZ and US 10-year yields have all stayed stubbornly high throughout 2023/24. The table below provides a snapshot of the conundrum facing central banks: inflation is easing, albeit gradually, but labour markets remain very tight by historical comparisons, making it an issue of fine judgment as to when rates can be cut.

The Bank of England sprung no surprises in their March meeting, leaving interest rates at 5.25% for the fifth time in a row and, despite no MPC members no longer voting to raise interest rates, it retained its relatively hawkish guidance. The Bank's communications suggest the MPC is gaining confidence that inflation will fall sustainably back to the 2.0% target. However, although the MPC noted that "the restrictive stance of monetary policy is weighing on activity in the real economy, is leading to a looser labour market and is bearing down on inflationary pressures", conversely it noted that key indicators of inflation persistence remain elevated and policy will be "restrictive for sufficiently long" and "restrictive for an extended period".

Of course, the UK economy has started to perform a little better in Q1 2024 but is still recovering from a shallow recession through the second half of 2023. Indeed, Q4 2023 saw negative GDP growth of -0.3% while y/y growth was also negative at -0.2%.

But it was a strange recession. Unemployment is currently sub 4%, against a backdrop of still over 900k of job vacancies, and annual wage inflation is running at above 5%. With gas and electricity price caps falling in April 2024, the CPI measure of inflation - which peaked at 11.1% in October 2022 – is now due to slide below the 2% target rate in April and to remain below that Bank of England benchmark for the next couple of years, according to Capital Economics. The Bank of England still needs some convincing on that score, but upcoming inflation and employment releases will settle that argument shortly. It is noted that core CPI was still a heady 4.5% in February and, ideally, needs to fall further.

Shoppers largely shrugged off the unusually wet weather in February, whilst rising real household incomes should support retail activity throughout 2024. Furthermore, the impact of higher interest rates on household interest payments is getting close to its peak, even though fixed rate mortgage rates on new loans have shifted up a little since falling close to 4.5% in early 2024.

From a fiscal perspective, the further cuts to national insurance tax (from April) announced in the March Budget will boost real household disposable income by 0.5 - 1.0%. After real household disposable income rose by 1.9% in 2023, Capital Economics forecast it will rise by 1.7% in 2024 and by 2.4% in 2025. These rises in real household disposable income, combined with the earlier fading of the drag from previous rises in interest rates, means GDP growth of 0.5% is envisaged in 2024 and 1.5% in 2025. The Bank of England is less optimistic than that, seeing growth struggling to get near 1% over the next two to three years.

As for equity markets, the FTSE 100 has risen to nearly 8,000 and is now only 1% below the all-time high it reached in February 2023. The modest rise in UK equities in February was driven by strong performances in the cyclical industrials and consumer discretionary sectors, whilst communications and basic materials have fared poorly.

Despite its performance, the FTSE 100 is still lagging behind the S&P 500, which has been at an all-time high for several weeks.

APPENDIX E

Updated Interest Rate Forecasts

Link Group Interest Rate View	28.05.24											
	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.00	4.50	4.00	3.50	3.25	3.25	3.25	3.25	3.00	3.00	3.00
3 month ave earnings	5.30	5.00	4.50	4.00	3.50	3.30	3.30	3.30	3.30	3.00	3.00	3.00
6 month ave earnings	5.30	4.90	4.40	3.90	3.50	3.30	3.30	3.30	3.30	3.10	3.10	3.20
12 month ave earnings	5.10	4.80	4.30	3.80	3.50	3.40	3.40	3.40	3.40	3.20	3.30	3.40
5 yr PWLB	4.90	4.70	4.50	4.30	4.10	4.00	3.90	3.90	3.90	3.90	3.90	3.80
10 yr PWLB	5.00	4.80	4.60	4.40	4.30	4.10	4.10	4.10	4.00	4.00	4.00	3.90
25 yr PWLB	5.30	5.20	5.00	4.80	4.70	4.50	4.50	4.40	4.40	4.40	4.30	4.30
50 yr PWLB	5.10	5.00	4.80	4.60	4.50	4.30	4.30	4.20	4.20	4.20	4.10	4.10

Link Group Interest Rate View	25.03.24												
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.60	4.10	3.70	3.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.40	3.90	3.60	3.20	3.10	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

Glossary of Terms

Authorised Limit –represents the limit beyond which borrowing is prohibited and needs to be set and revised by the Council. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable. It is the expected maximum borrowing need, with some headroom for unexpected movements.

Bank Rate – the rate at which the Bank of England offers loans to the wholesale banks, thereby controlling general interest rates in the economy.

Capital expenditure – material expenditure on capital assets, such as land and buildings, capitalised in accordance with regulations.

Capital Financing Requirement (CFR) – the level of capital expenditure to be financed from borrowing. This requirement will eventually be met by revenue resources through the Minimum Revenue Provision (MRP) mechanism.

CIPFA – Chartered Institute of Public Finance and Accountancy

Counterparty – the other party involved in a borrowing or investment transaction.

Credit Rating – a qualified assessment and formal evaluation of the credit history and capability of repaying obligations of an institution (bank or building society). It measures the probability of the borrower defaulting on its financial obligations, and its ability to repay these fully and on time. Ratings are prepared by Finch, Moody’s and Standard & Poor’s, and these are monitored by Link Asset Services.

Gilt - is a UK Government liability in sterling, issued by HM Treasury and listed on the London Stock exchange.

Liquidity – the ability of an asset to be converted into cash quickly and without any price discount. The more liquid an organisation is, the better able it is to meet short-term financial obligations.

LIBID – London Interbank Bid Rate - the interest rate at which London banks ask to pay for borrowing Eurocurrencies from other banks. Unlike LIBOR, which is the rate at which banks lend money, LIBID is the rate at which banks ask to borrow. It is not set by anybody or organisation but is calculated as the average of the interest rates at which London banks bid for borrowed Eurocurrency funds from other banks. It is also the interest rate London banks pay for deposits from other banks.

LVNAV MMF (Low Volatility Net Asset Value MMF) **-** a type of fund categorised as a Short Term MMF. Units in the fund are purchased or redeemed at a constant price, as long as the value of the assets in the fund do not deviate by more than 0.2% from par.

DLUHC – Department for Levelling Up, Homes and Communities (formerly MHCLG)

Minimum Revenue Provision (MRP) - is a provision the council has set-aside from revenue to repay loans arising from capital expenditure financed by borrowing. MRP is required even when borrowing is internal rather than external.

Monetary Policy Committee (MPC) – independent body which determines the Bank Rate.

Money Market Fund (MMF) - mutual fund that invests only in highly liquid instruments such as cash, cash equivalent securities, and high credit rating debt-based securities with a short-term, maturity—less than 13 months. As a result, these funds offer high liquidity with a very low level of risk.

Operational Boundary – This indicator is based on the probable external debt during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year. It should act as an early warning indicator to ensure the Authorised Limit is not breached.

Prudential Code – the Local Government Act 2003 requires the Council to ‘have due regard’ to the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council’s capital investment plans are affordable, prudent and sustainable. The Prudential Code is published by CIPFA.

PWLB – Public Works Loan Board. An institution managed by the Government to provide loans to public bodies at rates which reflect the rates at which the government is able to sell gilts.

Revenue expenditure – day to day items which may not be capitalised without a Government direction, including employees’ pay, transport and premise costs, supplies and services and benefits