Report for: Full Council FOR INFORMATION
Item Number:

Contains Private and Confidential Information	**No**	
Title	**Treasury Management Q2 Update 2023/24**	
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Portfolio	Cllr Steve Donnelly – Inclusive Economy	
For Consideration By	Full Council	
Date to be Considered	19 December 2023	
Implementation Date if Not Called In	N/A	
Affected Wards	N/A	
Area Committees	N/A	
Keywords/Index	Treasury, Borrowing, Lending, Investments	

Purpose of Report

This report provides an update on the Council's borrowing and investment activities for the quarter ending 30 September 2023.

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

1. Recommendations

Members are recommended to:

1.1 Note the Treasury Management activities and performance against targets for the period to 30 September 2023.

1.2 Note the Council's investment balance of £547.235m as at 30 September 2023 of which £455.000m was invested in Debt Management Office (DMO).

2. Reason for Decision and Options Considered

2.1 This report updates on both the investment and borrowing decisions made by the Strategic Director of Resources under delegated authority in the context of the prevailing economic conditions and considers Treasury Management Performance measured against the benchmark overnight Sterling Overnight Index Average (SONIA) rate.

2.2 Treasury management is defined as "the management of the Council's investments and cash flows; its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".

Summary

2.3 The key messages from this report are:

- All treasury management activities were executed by authorised officers within the parameters agreed by Council.
- All investments were made to counterparties on the Council's approved counterparty investment list and within approved limits.
- There was no long-term borrowing raised during the reporting period to 30 September 2023.
- The existing long-term debt to fund capital expenditure has decreased slightly from £877.532m to £874.331m due to loan repayments of (£3.351m) and an increase of £0.150m in the amounts held on behalf of the Mortlake Crematorium.
- The Council earned an average investment return of 4.406% on short term investments, underperforming the rolling average SONIA rate of 4.731%. The underperformance being due to a substantial amount of the investment portfolio being made at lower rates for a fixed duration prior to interest rate increases in the economic backdrop.
- The Council currently holds no direct investments with overseas financial institutions, though these are held indirectly through the Council's Money Market Funds (MMF) exposure.
- HRA debt is managed separately from General Fund debt.

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

3. Treasury Management Strategy

3.1 The Council's Treasury Management Strategy for 2023/24 was approved on 8 March 2023 by Full Council. The strategy outlined how the treasury function would operate throughout the financial year 2023/24 including the limits and criteria to determine which organisations the Council would invest its surplus cash with, and the Council's policy on long-term borrowing and limits on debt. The Council complied with the strategy during the period to 30 September 2023.

Investment of Pension Fund Cash

3.2 The Pension Fund's surplus cash is invested in accordance with the Council's Treasury Management Strategy agreed by Full Council in March 2023, which is delegated to the Strategic Director of Resources to manage on a day to day basis within set parameters. The cash is held at the Pension Fund's custodian bank account from where it is swept nightly into a money market fund operated by Goldman Sachs, however some of it is held within the Lloyds Pension Fund bank account for the day to day running of the Pension Fund.

3.3 The Treasury Management Strategy is reviewed on a monthly basis at the Treasury Risk & Investment Board (TRIB), a meeting consisting of senior Corporate Finance officers and chaired by the Strategic Director of Resources. The Pension Fund Panel (PFP) is updated on Pension Fund investment activities and the Chair of the PFP is briefed regularly.

4. Economic Background

4.1 The following is a summary of key economic conditions prevailing during the first quarter of the financial year 2023/24:

- The United Kingdom (UK) economy contracted 0.5% in July 2023.
- The Consumer Price Index (CPI) rose to 6.7% in September 2023.
- The unemployment rate increased to 4.3% for the three months to July 2023.
- United States of America (USA) economy grew an annualised rate of 2.1% during Quarter (Q) 2 2023.
- European Union (EU) economy grew by 0.1% during Q2.

4.2 The UK economy contracted 0.5% month on month in July 2023, the largest decline this year, reversing 0.5% growth in June. This result was weaker than market forecasts of a 0.2% decrease. Notably, the services sector played a role in this contraction, primarily due to a 3.4% decline in the human health activities industry, a result of NHS strikes leading to appointment and procedure cancellations. Elsewhere, the UK's trade deficit narrowed to £3.446 billion in July from £4.787 billion in June, driven by a 1.8% rise in exports and a 0.2% drop in imports, taking them to their lowest level since February 2022.

4.3 UK inflation, as measured by the Consumer Price Index, jumped to 6.7% in September 2023 the same rate as in August 2023 6.7%. The largest downward contributions to the monthly change in CPI annual rates came from food and nonalcoholic beverages, where prices fell on the month for the first time since September 2021 and furniture and household goods, where prices rose by less than a year ago. Rising prices for motor fuel made the largest upward contribution to the change in the annual rates.

4.4 In the three months to July, the number of people employed in the UK fell by 207,000, exceeding market expectations of a 185,000 drop. This marked the sharpest decline in job creation since September 2020. As a result, the unemployment rate in the UK rose to 4.3% in three months to July, reaching its highest level since the third quarter of 2021. This suggests a potential cooling in the labour market after extensive monetary policy tightening by the Bank of England. Despite this, average weekly earnings (including bonuses) in the UK increased 8.5% year on year in the three months to July, registering their biggest increase in two years. However, this was mainly reflective of one-off bonus payments to NHS staff, so would come out of calculations in the coming months.

4.5 The USA economy created 187,000 jobs in August, marking the third consecutive month with job gains below the 200,000 threshold. This provided further evidence of a gradual easing of labour market conditions largely attributed to the Federal Reserve's interest rate rises aimed at lowering inflation. According to its preferred measure of inflation, Personal Consumption Expenditure index, prices rose by 3.5% year on year in August after an upwardly revised 3.4% rise in July, matching market forecasts. Meanwhile, the US economy grew at an annualised rate of 2.1% in the second quarter of 2023, unchanged from the previous estimate, and compared to an upwardly revised 2.2% growth in the first quarter. Against this backdrop, the Federal Reserve kept the target range for the Federal Funds Rate at a 22-year high of 5.25%-5.5% at its September meeting but signalled there could be another rate rise later this year.

4.6 The Eurozone inflation rate fell to 4.3% year on year in September compared to 5.2% in August, reaching its lowest level since October 2021 and falling below the market consensus of 4.5%, a preliminary estimate showed. GDP, meanwhile, expanded a meagre 0.1% quarter on quarter in the three months to June, revised lower from initial estimates of a 0.3% gain. With inflation starting to decline but remaining above the central bank’s 2% target, the European Central Bank (ECB) raised rates for the 10th consecutive time at its September meeting but signalled that it could be minded to a pause in further tightening.

Economic Forecast

4.7 The Council’s treasury advisor, Link Asset Services (LAS), has provided the following interest rate forecasts which predict reductions in rates over the next 18 months:

Table 1 – Interest Rate Forecasts

	Dec-23 %	Mar-24 %	June-24 %	Sep-24 %	Dec-24 %	Mar-25 %	Jun-25 %
Bank of Rate							
Link	5.25	5.25	5.25	5.00	4.50	4.00	3.50
Capital Eco.	5.25	5.25	5.25	5.25	5.25	4.75	4.25
5yr PWLB Rate							
Link	5.10	5.00	4.90	4.70	4.40	4.20	4.00
Capital Eco.	5.20	5.10	4.90	4.80	4.60	4.40	4.30
10yr PWLB							
Link	5.00	4.90	4.80	4.60	4.40	4.20	4.00
Capital Eco.	5.10	4.80	4.70	4.60	4.50	4.30	4.20
25yr PWLB							
Link	5.40	5.20	5.10	4.90	4.70	4.40	4.30
Capital Eco.	5.50	5.10	5.00	4.90	4.80	4.60	4.50
50yr PWLB							
Link	5.20	5.00	4.90	4.70	4.50	4.20	4.10
Capital Eco.	5.00	4.90	4.80	4.70	4.60	4.50	4.40

4.8 The Bank of England Bank Rate increased steadily throughout the early part of 2023/24, starting at 4.25% and as at the end of September 2023 at 5.25%.

5. Treasury Management Strategy Statement 2023/24

Annual Investment Strategy

5.1 The Council's Annual Investment Strategy is an integral part of the approved Treasury Management Strategy for 2023/24. It outlines the Council's investment priorities as follows (in order of priority):

- Security of Capital
- Liquidity
- Yield

5.2 The Council will aim to achieve the optimum return on investments commensurate with proper levels of security and liquidity.

5.3 The Council managed its investments in-house and invested with institutions on the Council's approved counterparty investment list. Following the global financial crises and persistent uncertainties, the Council remains relatively risk averse and operates a restricted counterparty investment list. Currently investments are restricted to Money Market Funds and the Debt Management Office. Officers have suspended investments in local authorities as it is clear that the pandemic and wider financial pressures are having an impact on their finances and sustainability. A summary of the institutions to which the Council can invest with is outlined below:

1. UK Government directly (Debt Management Office)
2. UK Government (Treasury Bill via King & Shaxson)
3. Royal Bank of Scotland
4. The Council's banker (Lloyds)

5. HSBC
6. Standard Chartered Bank (Certificate of Deposit via King & Shaxson)
7. Barclays Bank
8. Nationwide Building Society
9. AAA rated Money Market Funds

5.4 The Council's temporary investment and borrowing activity (that is 365 days or less) over the period is set out below:

Table 2: Overall Treasury Cash Flow Position as at 30 September 2023

Description	Investments	Borrowing	Net Position
	£m	£m	£m
Outstanding 31 March 2023	**506.836**	-	**506.836**
Raised during period	1,010.918	-	1,010.918
Repayments during period	-970.520	-	-970.520
Outstanding 30 September 2023	**547.235**	-	**547.235**

5.5 Over the period to 30 September 2023, the Council's cash flows were maintained through borrowing and investment activities on the wholesale money market and the net investment position at the reporting date was £ 547.235m.

5.6 There is no temporary borrowing outstanding at 30 September 2023.

Investments Held on Behalf of External Parties

5.7 The Council has an agreement with West London Waste Authority (WLWA) and the Board of Mortlake Crematorium to invest funds on behalf of the organisations. The total funds under the arrangement at 30 September 2023 were £32.450m (WLWA £28.000m and Mortlake £4.450m).

Investments held by the Council

5.8 The Council maintained an average balance of £568.866m of internally managed funds and held an outstanding balance of £547.235m at 30 September 2023. The internally managed funds earned an average rate of 4.406% which is expected to improve further as some investments with longer maturities at lower rates mature. The comparable performance indicator is the average SONIA rate, which returned 4.731% during the same period. This is illustrated in the table below.

Table 3: Performance vs Benchmark

Month	Council Performance	Benchmark Rate (SONIA O/N rate)	Under/Over Performance
Apr-23	3.802%	4.177%	-0.375%
May-23	3.963%	4.347%	-0.384%
Jun-23	4.108%	4.578%	-0.470%
Jul-23	4.626%	4.930%	-0.304%
Aug-23	4.877%	5.168%	-0.291%
Sep-23	5.060%	5.185%	-0.126%
Average	**4.406%**	**4.731%**	**-0.325%**

5.9 The Council's total investments held at 30 September 2023 are outlined below:

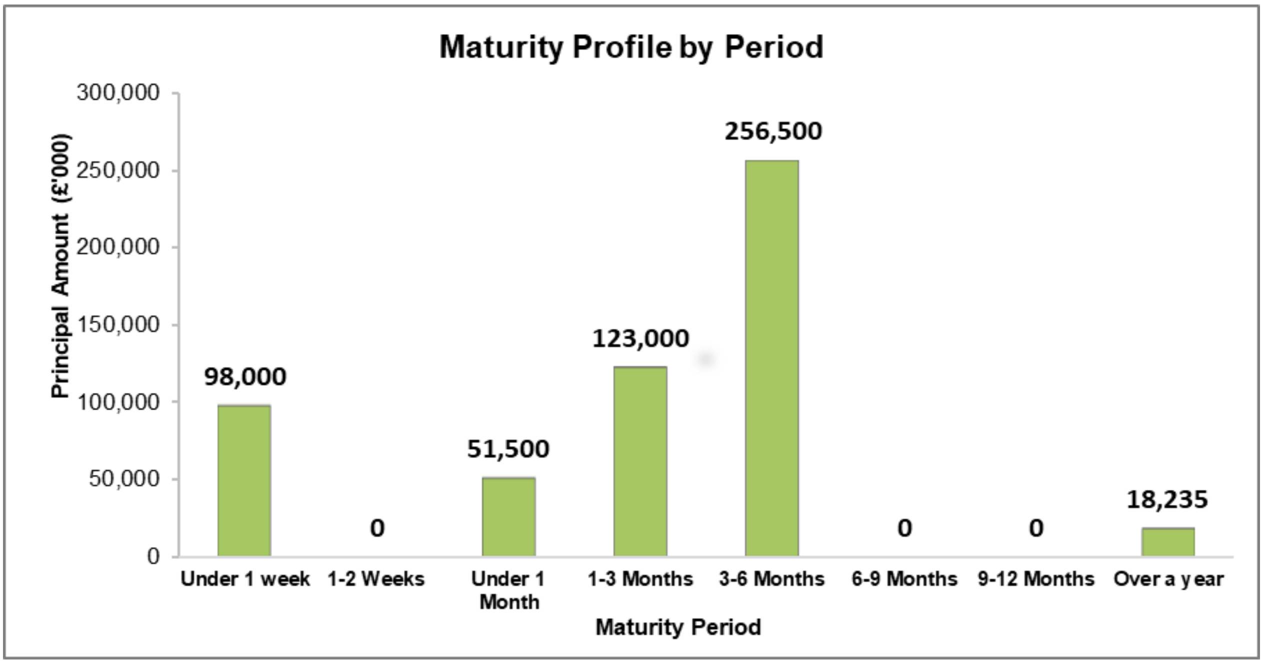
Table 4: Treasury Investment Portfolio

Counterparty Name	Total Investments at 31/03/2023	Total Investments at 30/09/2023
	£m	£m
Local authorities	-	-
Lloyds	30.000	14.000
Debt Management Office	443.500	455.000
Money Market Funds	-	42.000
Other *	33.336	36.235
Total Investments	**506.836**	**547.235**

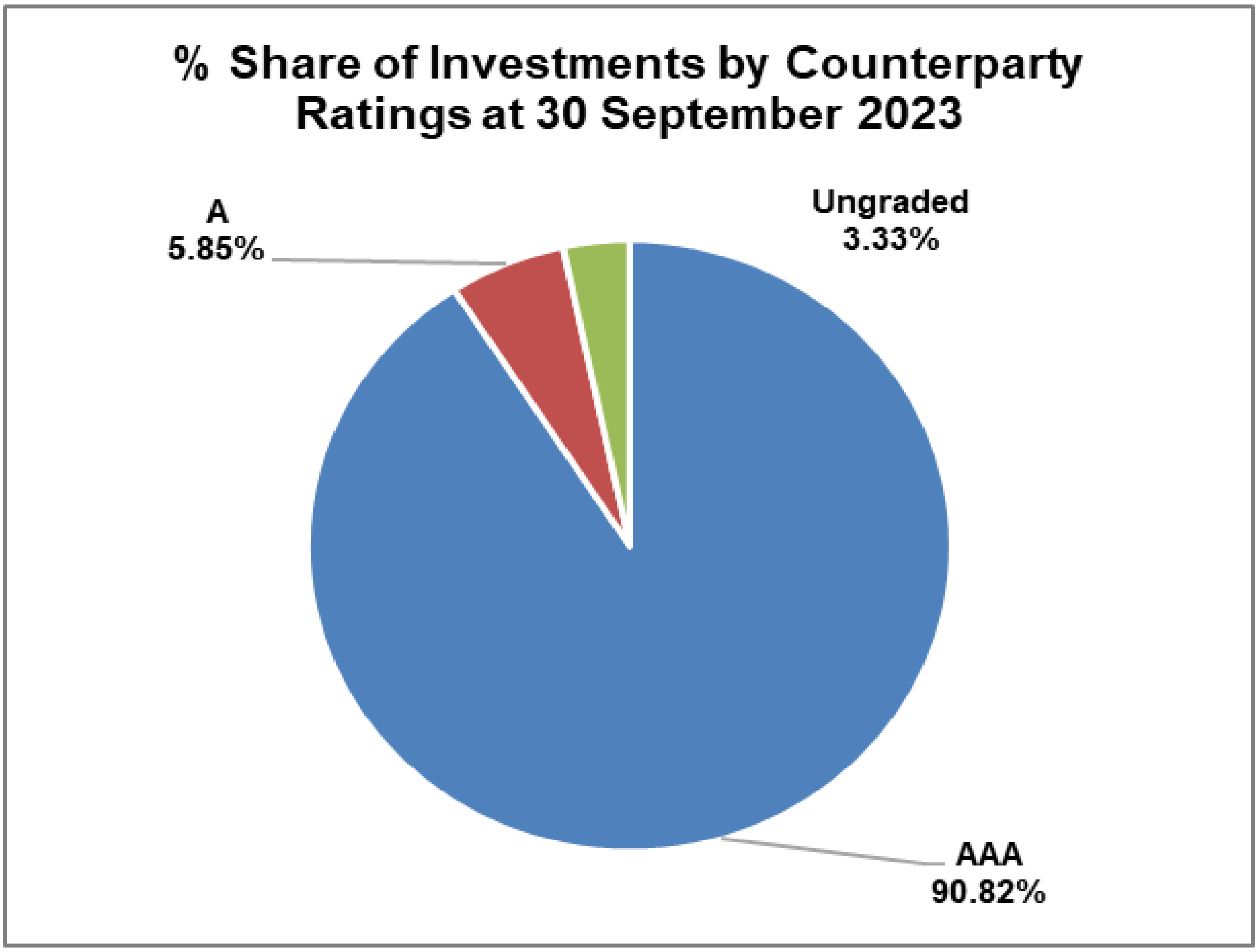
**Other investments Broadway Living Registered Provider (BLRP) £17.285m investment, £0.094m in Gunnersbury Estate CIC, £18.000m with Nationwide Building Society and Greener Ealing £0.856m.*

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

5.11 The Council continues to place investments with DMO and market loans. These are included in the maturity profiling below:



The Council currently has eleven investments that has a maturity period of over one year, Gunnersbury estate, Greener Ealing and BLRP.



Ungraded includes Gunnersbury estate, Greener Ealing, and Broadway Living Registered Provider (BLRP), AAA, A – Fitch credit rating.

5.12 The Council's counterparty list includes Money Market Funds (MMFs) which are liquid funds investing globally in a diversified range of underlying instruments with highly rated counterparties. All the funds chosen are AAA rated with low volatility

Net Asset Value (NAVs) strong sponsors and should provide a safe home for short term cash, with ready liquidity and relatively better returns given the transient nature of the Council's cash flows.

5.13 This does mean that the Council has indirect exposure to foreign institutions, but officers feel it is prudent for the Council to diversify away from a solely UK focused stance. At 30 September 2023, the balance of MMFs investments was £42.0m.

5.14 MMFs are categorised into Short Term MMFs and Standard MMFs with three structural options within these two categories per below.

Structural Options	Short Term Money Market Funds	Standard Money Market Funds
Government Constant Net Asset Value (CNAV)	x	
Low Volatility Net Asset Value (LVNAV)	x	
Variable Net Asset (VNAV)	x	x

5.15 In the past the European MMFs had CNAV and VNAV funds and the Council only used CNAV funds. CNAV funds have now been restricted to government portfolios while a new structural option for non-government funds, the Low Volatility NET Asset Value (LVNAV) MMF has been introduced.

5.16 The LVNAV MMF allows investors to purchase and redeem at stable NAV to two decimal places provided the fund is managed to certain maturity and liquidity constraints. If these constraints are breached the funds must be valued at mark to market. The board of the MMF also have powers to take protective action in times of market stress or when more than 10% of the fund is redeemed in one day. These include gating or restricting the amount that can be drawn down in one day and levying liquidity fees on investors.

5.17 Currently the Council restricts its use of MMFs to CNAV and LVNAV funds although the strategy provides the authority to use VNAV MMF should this be deemed appropriate at a future date.

6 Long-Term Borrowing Requirement and Debt

6.1 The Council's Treasury Management Strategy Report approved in March 2023 outlined the Council's long-term borrowing strategy for the financial year 2023/24. Over the course of the reporting period, the Council's cash flow requirements were financed through internal borrowing.

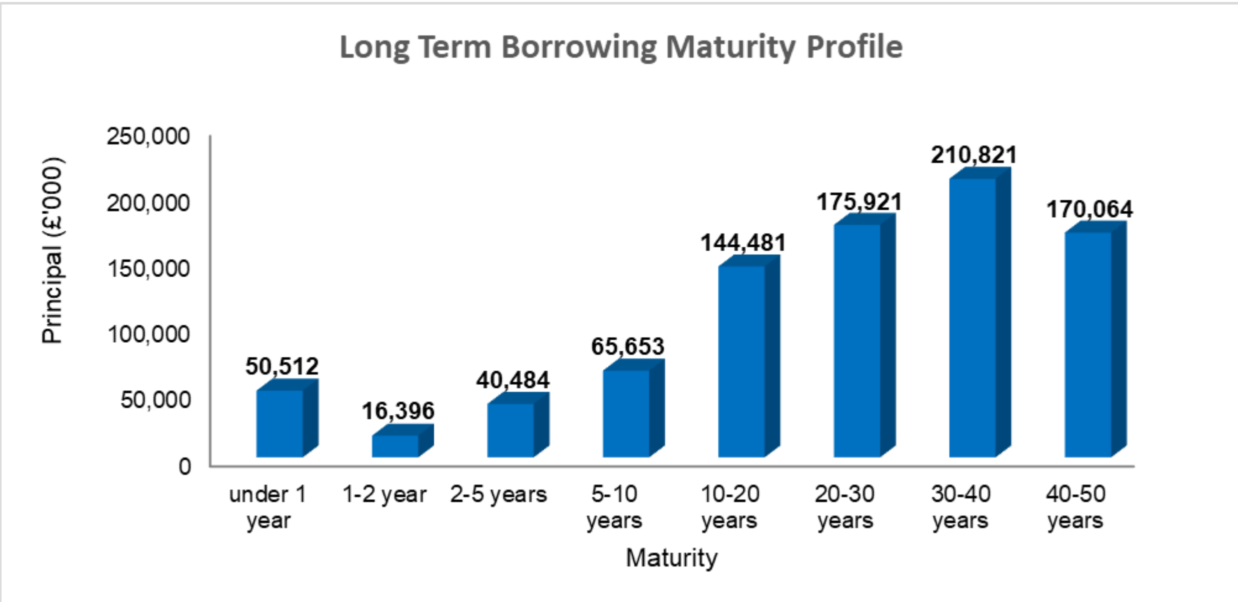
6.2 The total long-term borrowing at 30 September 2023 was £874.331m (including Mortlake Crematorium Board Loan and WLWA loan). The following table shows the split between General Fund and HRA borrowing. There were maturities of total £3.351m and no additional PWLB loans were raised in the reporting period. Mortlake Crematorium invested a further £0.150m.

Table 5: External Debt

Source	Debt as at 31/03/2023	Loans raised	Loans repaid	Debt as at 30/09/2023
	£m	£m	£m	£m
General Fund :				
PWLB	502.776	-	- 2.362	500.414
Market Loans	62.016	-	-	62.016
*Mortlake Crematorium	4.300	0.150	-	4.450
*WLWA	28.000	-	-	28.000
Total General Fund	**597.092**	**0.150**	**- 2.362**	**594.880**
HRA :				
PWLB	163.473	-	- 0.989	162.484
Market Loans	25.984	-	-	25.984
Total HRA	**189.457**	**-**	**- 0.989**	**188.468**
Broadway Living Register Provider(BLRP)	90.983	-	-	**90.983**
Total Long-Term Borrowing	**877.532**	**0.150**	**- 3.351**	**874.331**
****Memo Item: Other Long-Term Liabilities (OLTL)**	**95.166**	**-**	**(0.757)**	**94.409**

**The £0.150m 'loan raised' figure relates to monies which are transferred by Mortlake Crematorium Board for investment by the Council on their behalf.*
***Other Long-Term Liabilities (OLTL) are shown on the balance sheet as long-term creditors and are not classified under accounting rules as debt so are shown for completeness.*

Graph 3: Long-term borrowing maturity profile at 30 September 2023



6.3 The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR). The Council's actual borrowing at the end of the quarter was within the anticipated year end CFR of £949.022m. The table below shows the breakdown of the Council's total CFR.

Table 6: Capital Financing Requirement for 2023/24

Capital Financing Requirement	2022/23 Actual	2023/24 Estimate
	£m	£m
CFR-Non Housing	630.378	642.239
CFR-Housing	213.906	269.791
CFR-Housing Loan/Equity to BL/BLRP	26.993	36.993
Total CFR	**871.277**	**949.022**

Debt Rescheduling

6.4 Movements in interest rates over time can produce dislocations, which can present opportunities for the Council to replace existing loans with new loans at lower rates. The Council can also repay existing loans early without necessarily replacing the loans. These activities will attract a discount or premium depending on the prevailing market conditions. Debt rescheduling opportunities have been limited following the increase in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010.

6.5 There were no debt rescheduling opportunities in the reporting period, as the cost of premium to repay debt outweighed savings that could be achieved from the lower PWLB borrowing rates.

PWLB Certainty Rate

6.6 The PWLB Certainty Rate, introduced by in November 2012, provides local authorities with the opportunity to secure loans at a discounted rate of 0.20% below the Standard Rate for the General Fund (GF). This Standard Rate is determined as gilts plus 80 basis points (0.8%), equating to gilts plus 60 basis points when factoring in the discount. Commencing in June 2023, the HRA is also eligible for a reduced rate, allowing borrowing at gilts plus 40 basis points (0.40%). The Council is currently in the process of reapplying to avail loans at the preferential certainty rate for the financial year 2023/24.

7. Treasury Management Update Outside the Reporting Period

7.1. There is no information to update on notable activities that have occurred outside the reporting period.

8. Treasury Management Governance and Scrutiny

8.1 The Council continues to review and ensure that it embraces best practice in the risk management, control, monitoring and reporting of its treasury management processes.

8.2 In addition to the regular quarterly reports to Audit Committee, regular monitoring of Treasury Management activities is carried out by the senior management team, the portfolio holder for Inclusive Economy and the Treasury Risk and Investment Board (TRIB) which is chaired by the Strategic Director of Resources.

8.3 The purpose of these reporting arrangements is to ensure that those with the ultimate responsibility for the Treasury Management function have an appreciation of the implications of treasury management policies and activities, and that those implementing the policies and executing transactions have properly fulfilled their responsibilities with regards to delegation and reporting.

9. Financial implications

9.1 The Treasury Management forecast outturn position has continued the trend of recent years, with lower financing costs and reduced spending mainly attributable to deferred borrowing and slippage on the capital programme. However, with current market conditions starting to shift, the borrowing position is under constant review and the Council will consider new borrowing at appropriate times. The current forecast for 2023/24 shows finance costs to underspend as a result of deprogramming and slippage.

10 Prudential Indicators

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

10.2 The benefit of the indicators will be derived from monitoring them over time rather than from the absolute value of each. The indicators are not intended to be used as comparators between councils. An update on the prudential indicators will be included with the mid-year update report.

11 Legal

11.1 The investment of surplus funds and any borrowing must comply with the Local Government Act 2003 as amended by regulations from time to time by the Government. Local authorities by virtue of section 15 (1) (a) of the 2003 Act must have regard to any guidance on investments issued by the Secretary of State, the latest such guidance was issued in February 2018. Further, local authorities must have regard to other guidance specified by the Secretary of State under section 15 (1) (b) of the 2003 Act. Section 24 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 specifically mentions that local authorities shall also have regard to the code of practice contained in the document entitled "Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes" published by CIPFA, as amended or reissued from time to time.

11.2 To comply with the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 requires full Council to approve an Annual Statement of Minimum Revenue Provision which is included in the annual budget setting reports.

12 Value for Money

12.1 Assessment of value for money is achieved through:

- Monitoring against benchmarks
- Operating within budget

12.2 Internally managed investment returns **underperformed** the SONIA benchmark on the 30 September 2023, this is due to rapid rise in interest rate in Q2 and some of our investments are tied down to older rates, this is expected to improve throughout the year. PWLB borrowing was monitored throughout the year, the budgeted rate for 2023/24 was 4.43%. In addition, the treasury function operated within budget over the reporting period.

13 Risk Management

13.1 There is no treasury management activity without risk. Risk management plays a fundamental role in treasury activities, due to the value of transactions involved. When placing investments with counterparties, risk management and security of capital always remain the priority over returns.

13.2 The adoption of the CIPFA Code for Treasury Management in Public Services, the use of an investment list and receiving advice from Link Asset Services mitigate some of the risk associated with optimising performance returns. Security of capital remains the priority in the Council's investment with counterparties. The Treasury team continues to be alert to concerns regarding Eurozone debt situation (e.g. Portugal, Ireland, Greece, Spain and Italy) and this is reflected in the Council's Counterparty Investment List.

14 Links to Strategic Objectives

14.1 Proper and effective management of the Treasury Management function is an essential element of the financial administration process within the Council. Income generated from this source and borrowing to meet the requirements of capital investment make a significant contribution to the resources available to fund the Council's strategic objectives.

15 Consultation

15.1 Link Asset Services provides the Council with advice on treasury management.

16 Appendices

16.1 Appendix 1 – Prudential Indicators 2023/24

17 Background Information

17.1 Investment and borrowing activity files are kept electronically and at Perceval House.

Consultation

Name of Consultee	Department	Date sent to consultee	Date response received	Comments appear in report para:
Emily Hill	Strategic Director of Resources	28/11/2023	30/11/2023	Throughout
Emma Horner	Assistant Director Technical Finance	28/11/2023	30/11/2023	Throughout

Report History

Decision type: For Action/Information	Urgency item? No

Authorised by Cabinet member:	Date report drafted:	Report deadline:	Date report sent:
	28/11/2023	11/12/2023	11/12/2023

Report no.:	Report author and contact for queries:
	Bridget Uku, Finance Manager - Treasury & Investments, ext. 5981 Amalio Alcazar, Treasury & Investments Technician, ext. 6589 Bhavika Patel, Treasury & Strategic Investments Accountant, ext. 6215

Glossary of terms used in the report

CFR – Capital Financing Requirement – a measure of the Council's underlying need to borrow to finance capital expenditure.

Counterparties – Organisations the Council invests its surplus money with e.g. Banks; Local Authorities and MMFs.

CPI & RPI – Consumer Prices Index & Retail Prices Index. The main inflation rate used in the UK is the CPI. The Chancellor of the Exchequer bases the UK inflation target on the CPI. The CPI inflation target is set at 2%. The CPI differs from the RPI in that CPI excludes housing costs. Also used is RPIX, which is a variation of RPI, one that removes mortgage interest payments.

Credit Default Swap (CDS) – A kind of protection that can be purchased by MMF companies from insurance companies (for their investment) in exchange for a payoff if the organisation they have invested in does not repay the loan i.e. they default.

Credit watch – A variety of special programs offered by credit rating agencies and financial institutions to monitor organisation/individual's (e.g. bank) credit report for any credit related changes. A credit watch allows the organisation/individuals to act on any red flags before they can have a detrimental effect on credit score/history.

DMO – Bank of England's Debt Management Office.

Escrow Account – A money account held by an independent third party and disbursed upon fulfilment of certain contractual conditions.

GDP – Gross Domestic Product; a measure of a country's economic growth.

Gilts – Bonds issued by the UK government. The holder is paid a fixed cash amount (coupon) every six months until maturity, at which point the final coupon is paid along with the principal.

IMF – The International Monetary Fund is an intergovernmental organisation which states its aims as to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduces poverty around the world.

Impaired investment – An investment that has had a reduction in value to reflect changes that could impact significantly on the benefits expected from it.

SONIA - Sterling Overnight Index Average is the effective overnight interest rate for unsecured transactions in the British sterling market.

Capital Eco. - Capital Economics is an independent economic research company who provides macroeconomic, financial market and sectoral analysis, forecasts, and consultancy.

Market Loans – Loans from banks which are available on the London Money Market including LOBOs (Lender Option, Borrowing Option) which enable the Council to take advantage of low fixed interest for a number of years before an agreed variable rate comes into force.

MMF – Money Market Funds are a ‘pool’ of different types of investments managed by a fund manager, that invests in lightly liquid short term financial instruments with high credit rating.

MPC – Monetary Policy Committee designated by the Bank of England, whose main role is to regulate interest rates.

MRP – Minimum Revenue Provision is the amount which must be set aside from the revenue budget each year to cover future repayment of debt.

Premium – Cost of early repayment of loan to PWLB to compensate for any losses that the lender may incur.

Prudential Indicators – Set of rules for local authorities borrowing for capital projects under a professional code of practice developed by CIPFA and providing measures of affordability and prudence reflecting the Council’s Capital Expenditure, Debt and Treasury Management.

PWLB – Public Works Loan Board, a statutory body whose function is to lend money to local authorities and other prescribed bodies. The PWLB normally are the cheapest source of long-term borrowing for local authorities.

QE – Quantitative Easing, in the way central banks try to raise the amount of lending and activity in the economy indirectly, by cutting interest rates. Lower interest rates encourage people to spend, not save. But when short term interest rates can go no lower, a central bank can buy government bonds (including long-term bonds) or other financial assets (e.g. corporate bonds) in an effort to increase money supply and stimulate the economy.

Treasury Bill – Short term debt instruments issued by the Government. They provide a return to the investor by virtue of being issued at a discount to their final redemption value.