Report of	Meeting	Date
Director of Finance and Section 151 Officer	Governance Committee	Tuesday, 8 August 2023

Treasury Management Annual Report 2022/23

Is the report confidential ?	No
Is the decision key ?	No

Purpose of the Report

1. To report on Treasury Management performance and compliance with Prudential Indicators for the financial year ended 31 March 2023.

Recommendations to Governance Committee

2. Members are asked to note 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. Not applicable.

Corporate priorities

5. The report relates to the following corporate priorities:

An exemplary council	**Thriving communities**
A fair local economy that works for everyone	**Good homes, green spaces, healthy places**

Executive Summary

6. The report summarises Treasury Management activity and performance against approved indicators over the financial year 2022/23 across the following headings:

    - Capital Expenditure and Financing (paragraphs 11-13)
    - Overall Borrowing Need (paragraphs 14-26)
    - Treasury Position as at 31 March 2023 (paragraphs 27-31)
    - Investment Performance 2022/23 (paragraphs 32-39)
    - Advice of our Treasury advisors, Link Asset Services (paragraphs 40-41)

7. Key points to note are:

    - The Council's actual capital expenditure for the year was fully financed with internal borrowing (paragraph 13/Table 2).
    - The financing requirement for capital expenditure was £3.004 million.
    - 2022/23 has seen a number of rises in the Bank of England's Base Rate from 0.75% in April 2022 to 4.25% in March 2023.
    - In 2022/23, the Council had an average investment balance of £37.060m and earned interest on this of £595k (1.64%). This exceeded the target rate of 1.25% (paragraphs 32-39).

Background to the report

8. The Treasury Strategy for 2022/23 to 2024/25 was approved by Council on 23 February 2022. The strategy included prudential and treasury indicators, the treasury management strategy, the annual investment strategy, 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 2022.

10. The prudential and treasury indicators for 2022/23, approved as part of the Treasury Management Policy Statement for 2022/23 remained unchanged throughout the year and all comparisons made in this report are based on those indicators.

Capital expenditure and financing

11. 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 insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

12. The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure for 2022/23.

Table 1 – Capital Expenditure 2022/23	2022/23 Estimate £'000	2022/23 Revised £'000	2022/23 Actual £'000	2022/23 Variance £'000
Good homes, green spaces and healthy places	20,768	22,627	10,396	(12,231)
A fair economy that works for everyone	4,587	8,034	1,600	(6,434)
Thriving Communities	846	1,758	669	(1,089)
An exemplary Council	2,991	2,601	890	(1,711)
TOTAL CAPITAL EXPENDITURE	**29,192**	**35,020**	**13,555**	**(21,465)**

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

Table 2 – Capital Financing 2022/23	2022/23 Estimate £'000	2022/23 Revised £'000	2022/23 Actual £'000	2022/23 Variance £'000
Capital Expenditure (from Table 1)	29,192	35,020	13,555	(21,465)
Capital Receipts	(0)	(0)	(18)	(18)
Grants & Contributions	(13,938)	(17,868)	(8,701)	9,167
Revenue & Reserves	(4,153)	(7,387)	(1,832)	5,555
NET FINANCING NEEDED FOR YEAR	**11,101**	**9,765**	**3,004**	**(6,761)**

The Council's Overall Borrowing Need

14. 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 2022/23, plus the unfinanced capital expenditure from prior years which has not yet been paid for by revenue or other resources. The CFR includes any Other Long Term Liabilities, and in particular finance leases. Such leases increase the CFR, but incorporate a borrowing facility, provided by the lessor, so the Council is not required to borrow separately for these schemes.

15. 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. **In 2022/23 it did not prove necessary to borrow.**

16. 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.

17. The Council's underlying borrowing need is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets funded by borrowing 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.

18. 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).

19. The 2022/23 MRP Policy (as required by DLUHC Guidance) was approved by Council as part of the Treasury Strategy 2022/23 to 2024/25 on 23 February 2022.

20. The Council's CFR for the year is shown in Table 3 below and represents a key prudential indicator.

Table 3 – Capital Financing Requirement 2022/23	**2022/23 Estimate £'000**	**2022/23 Revised £'000**	**2022/23 Actual £'000**	**2022/23 Variance £'000**
Opening CFR	5,259	3,509	3,511	2
Net financing need for the year (Table 2)	11,101	9,765	3,004	(6,761)
Less MRP	(301)	(358)	(358)	0
Closing CFR	**16,059**	**12,916**	**6,157**	**(6,759)**

See also Note 35 Capital Expenditure and Financing in the Statement of Accounts 2022/23.

THE CFR AND GROSS DEBT

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

22. In order to ensure that borrowing levels are prudent over the medium term and are only for capital purposes, the Council must ensure that its gross external borrowing does not, except in the short term, exceed the total of the CFR in the preceding year (2021/22) plus the estimates of any additional CFR for the current year (2022/23) and the next two financial years. This essentially means that the Council cannot borrow to support revenue expenditure. This indicator would allow the Council some flexibility to borrow in advance of its immediate capital needs.

23. **This facility was not required in 2022/23.**

Table 4 – Portfolio Position	**2022/23 Estimate £'000**	**2022/23 Revised £'000**	**2022/23 Actual £'000**	**2022/23 Variance £'000**
Debt at 1 April 2022 Other Long Term Liabilities (OLTL)	0 0	0 0	0 0	0 0
Total Gross Debt 1 April 2022	0	0	0	0
Change in Debt Change in OLTL	0 0	0 0	0 0	0 0
Change in Gross Debt	0	0	0	0
Gross Debt 31 March 2023	0	0	0	0
Capital Financing Requirement (Table 3)	16,059	12,916	6,157	(6,759)
Under / (Over) Borrowing	**16,059**	**12,916**	**6,157**	**(6,759)**

24. **The authorised limit**. This is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. The original limit set by Council on 23 February 2022 was £6.600m. 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:

- is due to the authority which has not yet been received by it, and

- was not a delayed receipt of a payment which was taken into account when the limit was first arrived at.

25. The Council has maintained gross borrowing within its authorised limit.

26. **The operational boundary.** This is the expected borrowing position of the Council during the year. Periods where the actual position is either below or above the boundary are acceptable subject to the authorised limit not being breached. The operational boundary set for 2022/23 was £3.600m.

27. **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	2022/23 Estimate %	2022/23 Revised %	2022/23 Actual %	2022/23 Variance %
Ratio	2.51	2.77	2.24	(0.53)

The decrease compared to the revised estimate is attributable to the rise in investment income (which is netted off against MRP to produce the figure for net financing costs).

TREASURY POSITION AS AT 31 MARCH 2023

28. 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 2022/23	2022/23 Estimate £'000	2022/23 Revised £'000	2022/23 Actual £'000	2022/23 Variance £'000
Core Funds / Working Balances	(37,198)	(66,816)	(41,727)	25,809
Under / (over) borrowing (Table 4)	16,059	12,916	6,157	(6,759)
Investments	(21,139)	(53,900)	(35,570)	18,330

29. A detailed analysis of Short-Term Investments and Cash and Cash Equivalents is presented as Appendix A. Term Deposits by counterparty are shown in Table 7.

Table 7 – Summary of Term Deposits by Counterparty 31 March 2023	**Type**	**Amount 31 March 23 £'000**	**Limit £'000**
Santander	Term	6,000	6,000
Spelthorne BC	Term	2,500	6,000
Lancashire County Council	Term	5,000	6,000
Uttlesford DC	Term	3,000	6,000
South Ayreshire Council	Term	5,000	6,000
Chorley BC	Term	6,000	6,000
Fixed term Deposits Sub-Total		**27,500**	

30. All counterparty limits were adhered to throughout 2022/23.

31. Appendix B presents the approved limits for 2022/23.

32. Council approved that a maximum of £6m could be invested with any single UK local authorities for more than 365 days and up to two years. No sums were invested for more than 365 days.

Table 8 – Maximum Principal Sums Invested >365 Days 2022/23	**2022/23 Estimate £'000**	**2022/23 Revised £'000**	**2022/23 Actual £'000**
UK Government	0	0	0
UK Local Authorities	6,000	6,000	0
UK Banks & Building Societies	0	0	0
Non-UK Banks	0	0	0
Total	**6,000**	**6,000**	**6,000**

INVESTMENT PERFORMANCE 2022/23

33. Investments returns dropped to historically exceptionally low levels during 2020/21 and 2021/22. However from a rate of 0.75% in April 2022 there have been a number of increases in the year resulting in a Bank of England base rate of 4.25% by March 2023. This is reflected in the average yield for 2022/23 of 1.64% being significantly higher than in the previous year.

34. Given the low returns available compared to borrowing rates, particularly in the earlier part of the year, the Council has continued to achieve budget savings by maintaining a position of under borrowing, which means that it has used its own cash balances to finance capital expenditure rather than taking external loans.

35. **Investment Policy.** The Council's investment policy is governed by DLUHC investment guidance, which has been implemented in the annual investment strategy approved by Council for 2022/23. 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. From time to time, suggested durations reduce after a term deposit has been placed, for instance from twelve to six months, but this did not occur during 2022/23.

36. Investment performance for 2022/23 is presented in Table 9.

Table 9 – Investment Performance 2022/23	**Average Daily Investment £'000**	**Interest £**	**Average Rate %**
Debt Management office	3,844	85,133	2.21
Other Fixed Term Deposits	6,718	114,195	1.70
Notice Accounts	10,438	76,223	0.73
Call Accounts	2,172	23,237	1.07
Money Market Funds	13,888	296,516	2.18
Deposits With Local Authorities	13,990	237,475	1.70
TOTAL	**51,050**	**832,779**	**1.64**

37. The average return of 1.64% in 2022/23 is much higher than the 0.15% achieved in 2021/22, and reflects the interest rate increases that took place throughout the financial year. The opportunity to lend to other local authorities has also increased slightly from last year as the higher cash balances of 2021/22 brought about by covid grants have begun to diminish; this has meant that those councils in need of cash have sought to borrow from those councils with short-term surplus funds such as South Ribble.

38. The average daily balance of £51.050m shown above is 12% lower than the 2021/22 figure of £58.294m. However the rise in rates has meant that interest earned has also risen, resulting in a total of £833k; this is a 957% increase on the £87k earned in 2021/22.

39. As investment opportunities have opened up again, compared to very limited availability in 2021/22, the Council has placed less money with the DMO in favour of alternatives with better rates. The average daily investment with the DMO was £3.844m in 2022/23 compared with £10.640m the previous year.

40. The original earnings target for 2022/23, set in February 2022, was 1.25%, this was confirmed in the half-yearly update in November 2022. The target has been comfortably exceeded in 2022/23.

ADVICE OF LINK ASSET SERVICES

41. Link Asset Services' review of the Economy and Interest Rates in 2022/23 is presented as Appendix C.

42. Appendix E is a detailed commentary on interest rate forecasts.

Climate change and air quality

43. 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

44. Not applicable

Risk

45. 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

46. 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 Strategies for 2022/23 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 2022/23 were reflected in the report 'Revenue and Capital Budget Monitoring 22/23 Outturn', presented to Cabinet on 21 June 2023.

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

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

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

Comments of the Monitoring Officer

50. Presentation of this report is required to comply with the CIPFA Code of Practice on Treasury Management in the Public Services (2017 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 Policy Statement 2022/23 to 2025/26 (Council 23 February 2022)

Appendices

Appendix A: Investments as at 31 March 2023

Appendix B: Investment Counterparties 2022/23

Appendix C: Link Asset Economics Update 2022/23

Appendix D: Link Asset Services' Interest Rate Forecast

Appendix E: Glossary of Terms

Louise Mattinson
Director of Finance

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APPENDIX A

List of Investments as at 31/03/22

Counterparty	Type	Amount £'000	Rate %	Date	Maturity
Santander	Term	6,000	0.20%	17-Sep-20	05-Jun-23
Spelthorne BC	Term	2,500	3.00%	03-Oct-22	03-Apr-23
Lancashire CC	Term	5,000	1.40%	26-Aug-22	26-May-23
Uttlesford DC	Term	3,000	3.00%	13-Sep-22	07-Sep-23
South Ayreshire Council	Term	5,000	3.00%	20-Sep-22	07-Sep-23
Chorley BC	Term	6,000	4.70%	15-Mar-22	15-Jan-23
Fixed Term Deposit sub total		**27,500**	**Listed in Order of Maturity**		
DMADF	Term	0	n/a	n/a	n/a
Debt Management Office sub total		**0**			
Notice Accounts sub total		**0**			
Barclays Fibca Deposit Account	Call	1,620	0.01%	On Call	
Call Accounts sub total		**1,620**			
Aberdeen Standard	MMF	1,500	0.51%	On Call	
Blackrock	MMF	4,950	0.53%	On Call	
Money Market Funds sub total		**6,450**			
Total		**35,570**			

Notes

(1) MMF rates are variable. This is the calculated average for the year to March 2023.

APPENDIX B

Investment Counterparties 2022/23

Category	Institutions	LAS Colour Code	Maximum Period	Limit per Institution
Banks & Building Societies: Call Accounts /Term Deposits / Certificates of Deposit (CDs)				
Government related/guaranteed	DMADF (DMO) UK Local Authority	Yellow Yellow	6 months 2 years	Unlimited £6m per LA
UK part-nationalised institutions	Royal Bank of Scotland group	Blue	1 year	£6m per group
UK-incorporated Institutions	UK banks and building societies of high credit quality	Orange Red Green	1 year 6 months 3 months	£6m per group (or independent institution)
Non-UK Banks	Non-UK banks of high credit quality	Orange Red Green	1 year 6 months 3 months	£4m per group (or independent institution); £8m in total for this category
Money Market Funds				
Money Market Funds	MMFs of high credit quality - AAA rated		Instant access	£5m per fund

Yellow	5 years
Purple	2 years
Blue	1 year (only applies to nationalised or semi nationalised UK Banks)
Orange	1 year
Red	6 months
Green	100 days
No colour	Not to be used

APPENDIX C

Economics Update 2023/24

The overall balance of risks to economic growth in the UK is to the downside.

Downside risks to current forecasts for UK gilt yields and PWLB rates include:

- Labour and supply shortages prove more enduring and disruptive and depress economic activity(accepting that in the near-term this is also an upside risk to inflation and, thus, the rising gilt yields we have seen of late).

- The Bank of England increases Bank Rate too fast and too far over the coming months, and subsequently brings about a deeper and longer UK recession than we currently anticipate.

- UK / EU trade arrangements – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.

- Geopolitical risks, for example in Ukraine/Russia, China/Taiwan/US, Iran, North Korea and Middle Eastern countries, which could lead to increasing safe-haven flows.

- A broadening of banking sector fragilities, which have been successfully addressed in the near-term by central banks and the market generally, but which may require further intervention if short-term interest rates stay elevated for longer than is anticipated.

Upside risks to current forecasts for UK gilt yields and PWLB rates:

- The Bank of England continues to be too timid in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to remain elevated for a longer period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project.

- The pound weakens because of a lack of confidence in the UK Government′s fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.

- Longer-term US treasury yields rise strongly if inflation remains more stubborn than the market currently anticipates, pulling gilt yields up higher consequently.

- Projected gilt issuance, inclusive of natural maturities and QT, could be too much for the markets to
- comfortably digest without higher yields compensating.

LINK GROUP FORECASTS

We now expect the MPC will further increase Bank Rate during Q2 and Q3 2023 to combat on-going inflationary and wage pressures. We do not think that the MPC will increase Bank Rate above 5%, but it is possible.

Link Group - Updated Interest Rate Forecasts (25/5/23) **APPENDIX D**

Link Group Interest Rate View	25.05.23												
	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
BANK RATE	4.75	5.00	5.00	4.75	4.50	4.00	3.50	3.25	2.75	2.50	2.50	2.50	2.50
3 month ave earnings	4.80	5.00	5.00	4.80	4.50	4.00	3.50	3.30	2.80	2.50	2.50	2.50	2.50
6 month ave earnings	5.10	5.20	5.10	4.90	4.50	3.90	3.40	3.20	2.90	2.60	2.60	2.60	2.60
12 month ave earnings	5.40	5.40	5.30	5.00	4.50	3.90	3.40	3.20	2.90	2.70	2.70	2.70	2.70
5 yr PWLB	5.00	5.00	5.00	4.80	4.50	4.10	3.70	3.50	3.30	3.20	3.20	3.10	3.10
10 yr PWLB	5.00	5.00	5.00	4.80	4.40	4.10	3.80	3.60	3.50	3.40	3.30	3.30	3.30
25 yr PWLB	5.30	5.30	5.20	5.10	4.80	4.50	4.20	4.00	3.80	3.70	3.60	3.60	3.60
50 yr PWLB	5.10	5.10	5.00	4.90	4.60	4.30	4.00	3.80	3.60	3.50	3.40	3.40	3.40

Link Group Interest Rate View	27.03.23											
	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
BANK RATE	4.50	4.50	4.25	4.00	3.50	3.25	3.00	2.75	2.75	2.50	2.50	2.50
3 month ave earnings	4.50	4.50	4.30	4.00	3.50	3.30	3.00	2.80	2.80	2.50	2.50	2.50
6 month ave earnings	4.50	4.40	4.20	3.90	3.40	3.20	2.90	2.80	2.80	2.60	2.60	2.60
12 month ave earnings	4.50	4.40	4.20	3.80	3.30	3.10	2.70	2.70	2.70	2.70	2.70	2.70
5 yr PWLB	4.10	4.10	3.90	3.80	3.70	3.60	3.50	3.40	3.30	3.20	3.20	3.10
10 yr PWLB	4.20	4.20	4.00	3.90	3.80	3.70	3.50	3.50	3.40	3.30	3.30	3.20
25 yr PWLB	4.60	4.50	4.40	4.20	4.10	4.00	3.80	3.70	3.60	3.50	3.50	3.40
50 yr PWLB	4.30	4.20	4.10	3.90	3.80	3.70	3.50	3.50	3.30	3.20	3.20	3.10

APPENDIX E

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.

DLUHC – Department of Levelling Up Homes and Communities (formerly DCLG)

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.

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 premises costs, supplies and services, and benefits.