



Finance and Audit Committee

Tuesday, 23 June 2015

Dear Councillor

You are advised that the attached documents form part of the main agenda papers for this meeting.

Please ensure you bring them with you to the meeting.

Yours faithfully

A handwritten signature in black ink, appearing to read 'S Kilkie', written over a horizontal line.

S Kilkie
Assistant Director (Communities)

List of documents attached

5. Annual Treasure Management Review 2014-15

(Pages 1 - 2)

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Glossary of Terms

ANNUAL INVESTMENT STRATEGY – This should outline the Council's position with regard to the security of the investments it places throughout the year and is required by the Department of Communities and Local Government under the 2003 Local Government Act.

ANNUAL TREASURY STRATEGY – This is required under the CIPFA Treasury Management Code of Practice and should set out the market background and treasury issues that will be relevant to the Council for the period stated.

AUTHORISED LIMIT FOR EXTERNAL DEBT – This is the maximum amount of borrowing that the Council is permitted to undertake on a temporary basis to manage cashflow demands.

AVERAGE RATE OF RETURN – The rate of return on an investment that is calculated by taking the total cash inflow over the life of the investment and dividing it by the number of years in the life of the investment.

CAPITAL FINANCE / FINANCING – Funds used to pay for capital expenditure.

CAPITAL FINANCING REQUIREMENT (CFR) – A key area of treasury management is the measurement and control of the overall debt position of the Council. This is calculated through the Capital Financing Requirement which indicates the Council's underlying need to borrow in order to finance its capital expenditure.

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA) – The principal accountancy body dealing with local government finance.

DEPARTMENT FOR COMMUNITIES AND LOCAL GOVERNMENT (CLG) – established in May 2006 (as the successor to the Office of the Deputy Prime Minister) and is the UK Government Department responsible for communities and local government in England.

EUROPEAN CENTRAL BANK (ECB) – is the central bank for the Euro and administers monetary policy of the Eurozone. The owners and shareholders of the European Central Bank are the central banks of the 28 member states of the EU.

EUROZONE - is the area formed by the collective group of countries that use the Euro as their common currency.

FUNDING FOR LENDING SCHEME – was launched by the Bank of England and HM Treasury in July 2012 designed to incentivise banks and building societies to boost their lending to the UK real economy by increasing the number of loans and mortgages they made available to businesses and individuals.

GENERAL FUND – an account providing details of all the Authority's services except those relating to the Housing Revenue Account and the Collection Fund.

GROSS BORROWING REQUIREMENT – refers to the Council's total external borrowing requirement. CIPFA required an amendment to the 2011 Prudential Code to replace the net debt indicator (which offsets investments) with a gross debt indicator and this had to be implemented from 2013/14.

HOUSING REVENUE ACCOUNT (HRA) – A separate account to the General Fund which includes the expenditure and income arising from the provision of housing accommodation, by the Council, as a landlord service.

INVESTMENTS - Investments fall into two categories:

- Short-term investments where the duration between the Balance Sheet date and the date the Council intends to redeem the investment is less than one year ; and
- Long-term investments where the duration between the Balance Sheet date and the date the Council intends to redeem the investment is more than one year.

LONDON INTERBANK BID RATE (LIBID) - This is the average interest rate which major London banks borrow Eurocurrency deposits from other banks.

MINIMUM REVENUE PROVISION (MRP) – This is a charge or expense that those councils, which are not free of debt, are required to make in their accounts for the repayment of debt (as measured by the underlying need to borrow rather than actual debt).

MONETARY POLICY COMMITTEE – is the committee of the Bank of England which meets for two and a half days every month to decide the official interest rate in the United Kingdom (the Bank of England Base Rate).

NET DEBT – The level of total debt held minus the total of investments held.

OPERATIONAL BOUNDARY FOR EXTERNAL DEBT – This is the maximum amount of borrowing which the Council is permitted to undertake on a day-to-day basis and must not be breached other than for temporary cashflow demand purposes.

PRUDENTIAL CODE – This is a professional code of practise to support local authorities in taking capital investment decisions. Local authorities determine their own programmes for capital investment in fixed assets that are central to the delivery of quality local public services in accordance with the Prudential Code.

PRUDENTIAL INDICATORS – In line with the requirements of the CIPFA Prudential Code for Capital Finance, prudential indicators assist local authorities to assess whether their capital investment plans are affordable, prudent and sustainable.

PUBLIC WORKS LOAN BOARD (PWLB) – The Central Government Agency that lends money to local authorities usually at interest rates which are more favourable than those found elsewhere.

WEIGHTED AVERAGE MATURITY - The weighted average of the time until all investments mature. The higher the weighted average to maturity, the longer the investments held have until maturity.