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REPORT TO:	**General Purposes and Audit Committee 20 September 2017**
AGENDA ITEM:	**12**
SUBJECT:	**Treasury Annual Review 2016/2017**
LEAD OFFICER:	**Richard Simpson Executive Director of Resources (Section 151 Officer)**
CABINET MEMBER:	**Councillor Simon Hall, Cabinet Member for Finance & Treasury**
WARDS:	**All**

CORPORATE PRIORITY/POLICY CONTEXT: Sound Financial Management. This report details the Council's Treasury Management activities during 2016/2017 and the Council's compliance with the Prudential Code for Capital Finance.

FINANCIAL SUMMARY: This report details the Treasury Management activities in 2016/2017 and demonstrates the Council's compliance with the Prudential Code.

FORWARD PLAN KEY DECISION REFERENCE NO.: N/A

For general release

1. RECOMMENDATIONS

1.1. The Committee are asked to note the contents of this report and to:

Endorse the Treasury Annual Review 2016/2017 and the continued implementation of the Council's Treasury Strategy 2017/2018 by the Executive Director of Resources (Section 151 Officer).

2. EXECUTIVE SUMMARY

2.1. The Council's treasury management activities for the previous year are reviewed on an annual basis to take account of changes and updates in treasury practices and to ensure that best practice is incorporated within all areas of treasury management. This report:-

- Reviews the Council's treasury management activities for the year 2016/2017;
- Detail those areas of activity that formed the basis of the Treasury Strategy Statement and Annual Investment Strategy 2016/2017 received by Full Council **on 29 February 2016 (Minute A19/16 refers)** ; and
- Demonstrates the Council's compliance with the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance and adherence with the Prudential Indicators set.

3. BACKGROUND

3.1. The Council has adopted a Treasury Policy Statement, which sets out the basis on which treasury activities are to be conducted. This document is incorporated as part of the Council's Financial Regulations.

3.1.1. The Treasury Policy Statement sets out the minimum reporting requirements to Members as being the following reports:

- An annual treasury strategy report prior to the commencement of each financial year (a statutory requirement) on treasury strategy for the year ahead.
- A mid-year treasury update report.
- An annual review of the previous year's treasury activities.

3.1.2. The Council's treasury management objectives are to manage the cash flows, borrowing and investment requirements of the Authority with minimum risk and to achieve this by minimising the Council's exposure to adverse movements in interest rates whilst maximising investment yield to enhance the Council's finances.

3.1.3. The Council's treasury management activities are regulated by statute, the CIPFA Code of Practice for Treasury Management and official guidance.

3.1.4. This report presents a review of 2016/2017's activities based on the following:-

- The Economy and Interest Rates;
- Lending;
- Performance Targets;
- Borrowing;
- Compliance with Prudential Indicators; and
- Repayment of Debt and Debt Rescheduling.

3.1.5. A glossary of the terms and abbreviations used in this report is attached at **Appendix D.**

3.2. The Economy and Interest Rates

3.2.1. The market expectation at the beginning of the financial year 2016/2017 was for the UK's Bank Rate to increase. However, following the unexpected referendum result on 23 June 2016 (a victory for the leave campaigners) the Bank of England thought it necessary to decrease interest rates to 0.25%. Interest rates have stayed at this point ever since and the general consensus is that interest rates will remain at current levels until the conclusion of the Brexit negotiations in Q2 2019.

3.3. Lending

3.3.1. The Council's investment policy is governed by the Communities and Local Government Office (CLG) guidance. It had been drawn up to provide maximum security for the Council's funds. As set out in the strategy, the criteria for the investment of the Council's surplus funds are based on formal credit ratings issued by the FITCH International Rating Agency and supplemented by additional market data such as rating outlooks, credit default swaps and bank share prices. The prime aim is to obtain capital security and then to secure the best rate of return. In addition to the FITCH rated institutions, all UK local authorities, and some public bodies comprise the Council's Approved Lending List. The rating criteria for approved counterparties is as follows:

Lending List Criteria

List	Credit Ratings Criteria
A	**FITCH rating in each of the following categories:-** F1+ on Short Term AA or above Long Term aa- or above Viability Rating 1 for Support Rating AA or above Sovereign Rating
B	**FITCH Rating in each of the following categories:-** F1+ on Short Term AA- or above on Long Term a+ or above Viability Rating 1 for Support Rating AA or above Sovereign Rating
	Approved Organisations that meet the credit ratings set out above. All Non-UK Banks that meet the FITCH ratings set out above All UK Building Societies that meet the FITCH ratings set out above UK Banks that meet the FITCH ratings set out above **Approved Organisations not meeting the above credit ratings** Part Nationalised UK Banks All UK Local Authorities AAA rated Money Market Funds as rated by FITCH & one other rating agency. Debt Management Office

The Council's revised Lending List Criteria and the authorised list of counterparties as at **31 August 2017**, which incorporates the new ratings, is detailed in **Appendix A.**

3.3.2. The principle of obtaining capital security and then of securing the best rate of return underpins all treasury investment decisions. The market that exists to support local authorities understands this and has evolved to develop products to match these requirements. Without in any way compromising the commitment to these principles the treasury team has begun a process of engagement to explore the merits and associated risks of alternatives to plain time- and call-deposits that match their security characteristics. There is a growing concern that a reducing pool of quality counter-parties, such as banks, is increasing the level of risk for the Authority and one possible response to this might be to develop the number of high-grade deposit takers, to increase diversification of investments and thereby reduce the overall concentration of risk of default.

3.3.3. The financial year 2016/2017 continued the challenging investment environment of previous years, namely low investment returns and continuing heightened levels of counterparty risk.

3.3.4. Investment activity in 2016/2017 conformed to the approved strategy and the Council experienced no liquidity issues in the year with an average monthly balance of £**128.312m** being maintained in temporary investments during the year. Part of this sum is made up of core balances such as provisions and reserves set aside and cash balances that can if necessary be invested for longer periods to take advantage of favourable interest rates and to hedge against future rate movements.

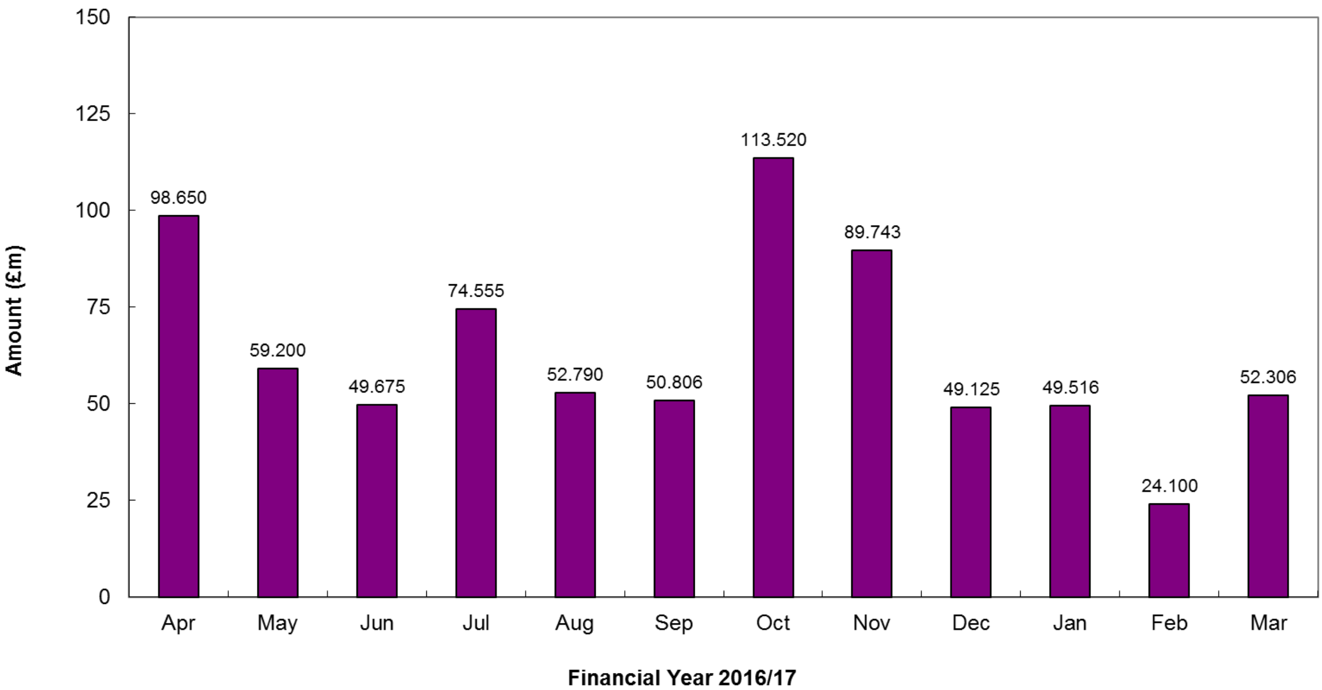
3.3.5. Available funds were invested for differing periods, to match anticipated movements in the Council's daily cash flows commensurate with achieving best value and based on forecasts of interest rate trends. The primary aim is to ensure the capital security of the Council's investments and then to secure the best rate of return.

3.3.6. Investment of the Council's cash balances is governed by the Guidance on Local Government Investments which has been issued by the Communities and Local Government Office.

3.3.7. The guidance requires certain investment policy parameters to be set within the annual Treasury Management Investment Strategy approved by Council. Investment activity during the year conformed to this approved strategy and sufficient liquidity was maintained for the Council's cash flow requirements.

3.3.8. For the year April 2016 to March 2017, deposits totalling £763.986m were invested at an average investment rate of 0.30% compared to the benchmark rate of 0.20% for the year. During the year the Council maintained an average monthly balance of £128.312m and the investments outstanding at 31st March 2017 were £104.745m. These were invested as follows: banks £65.0m; UK local authorities £30.0m and AAA rated Money Market Funds £9.745m.

<u>Investments made in 2016/2017</u>



3.3.9. In placing these deposits, the treasury team will speak to a number of money brokers and institutions to secure the best deals. The bulk of these deals were made directly with the deposit taking bank, other local authorities or placed with one of the AAA rated Money Market Funds.

3.3.10. In 2016/2017, the Council made a commitment of £15m to the second Real Lettings Property Fund Limited Partnership and £1.5m was drawn. This fund is similar to the first fund which the Council has £30m in. Both funds have a 7-year life offering investors the opportunity to invest in a diversified portfolio of London residential property and aims to deliver a minimum return of 5% per annum. For Croydon, this investment will also provide added benefit in that the properties purchased would offer affordable accommodation for former homeless people or those at risk of homelessness, who cannot access social housing. Returns generated by the investment will serve to boost the Council's overall income in the future.

3.4 Performance Targets

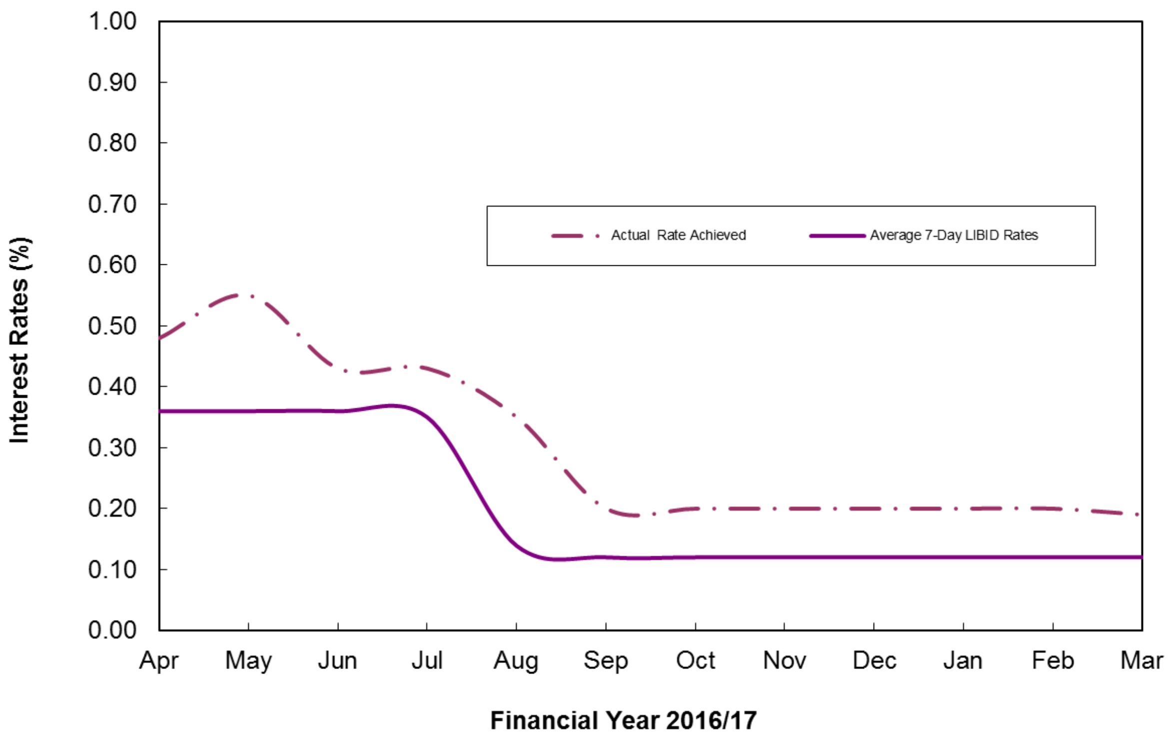
3.4.1 The gross investment income earned by the Council for the financial year 2016/2017 was £0.919m. This sum included interest accrued on investments made in 2015/2016 that matured in 2016/2017, representing an overall return of 0.72% for the financial year.

3.4.2 The average 7-day London Interbank Bid (LIBID) can be used as a benchmark against which investment returns can be measured. This is generally accepted as a reasonable proxy for cash. Investments were restricted to the duration limits recommended by the Council's Treasury Advisers, Capita Asset Services and only made with institutions on the Council's authorised lending list.

3.4.3 The graph below details the rate of investment returns achieved on investments made each month in 2016/2017 compared to the benchmark average 7-day LIBID rate for the month.

3.4.4 This financial environment remains challenging. With interest rates in the UK, Europe and the US remaining at historically low levels returns on investments are paltry. On the other hand the cost of debt is low and the cost of the debt portfolio is one of the lowest across London. There still remains a margin between the interest payable and receivable, known as the cost of carry. In order to mitigate this cost as far as is possible cash balances have been run down and borrowing therefore only taking up as required.

<u>Actual investment rates achieved compared to the average 7-Day LIBID rates 2016/2017</u>



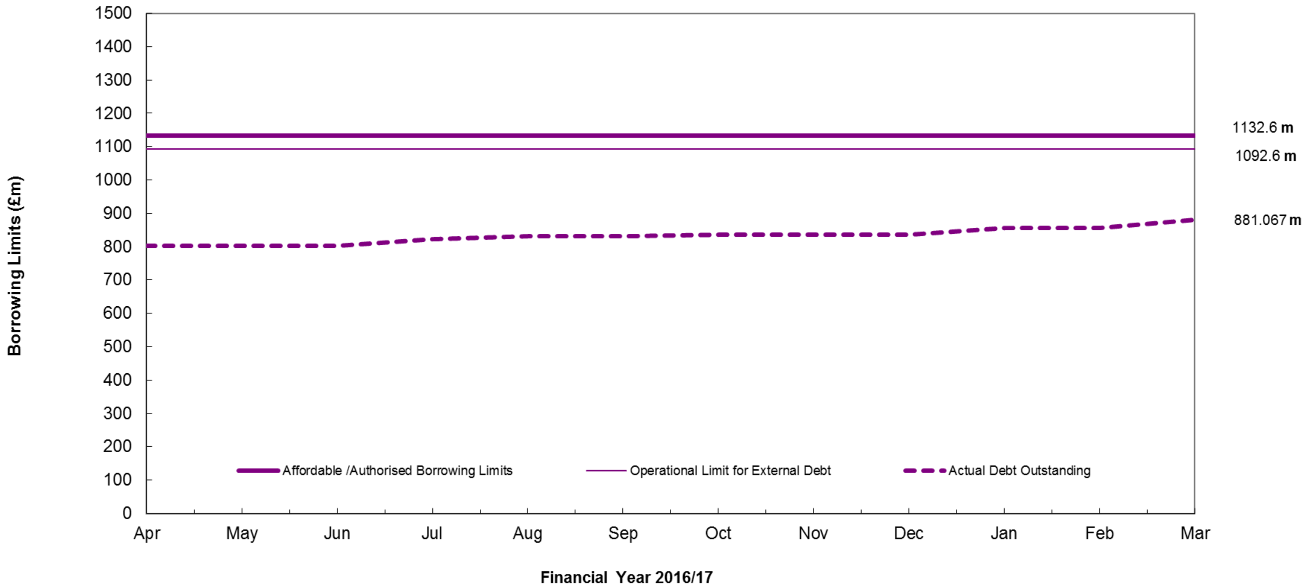
3.5 Borrowing

3.5.1 The Council set borrowing limits that were approved by **Full Council on 29 February 2016 (Minute A19/16 refers)** for the year 2016/2017 as part of the legislative constraints specified in Section 3 of the Local Government Act 2003 which requires the Council to determine and keep under review how much it can afford to borrow. These sums were:

Operational Limit for External Debt	£1,092.6m
Affordable Borrowing Limit	£1,132.6m
Authorised Borrowing Limit	£1,132.6m

3.5.2 The chart below shows the actual debt in 2016/2017 in comparison to the above borrowing limits.

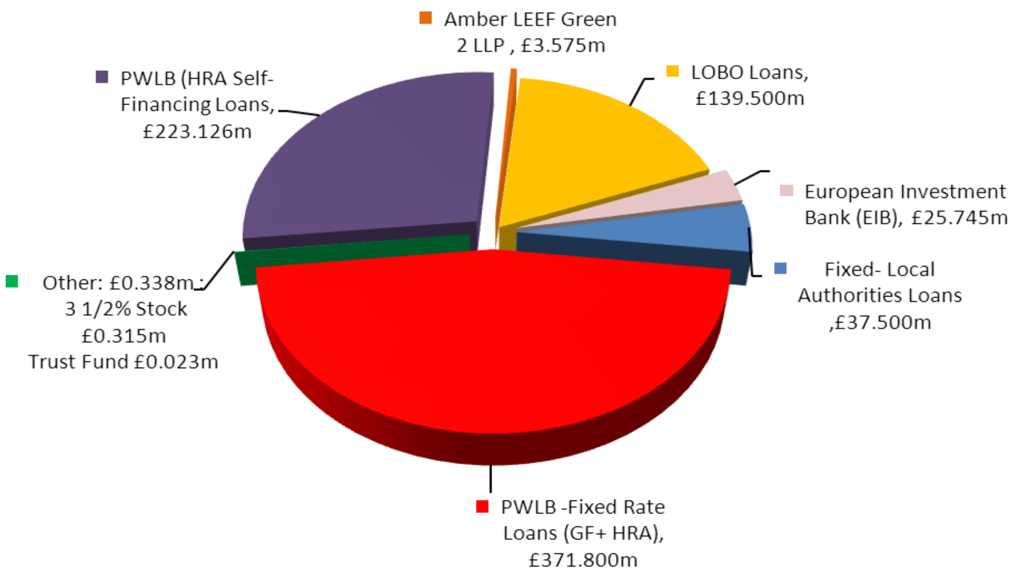
<u>Actual Debt in 2016/2017 in comparison to the Operational, Affordable and Authorised Borrowing Limits for the year</u>



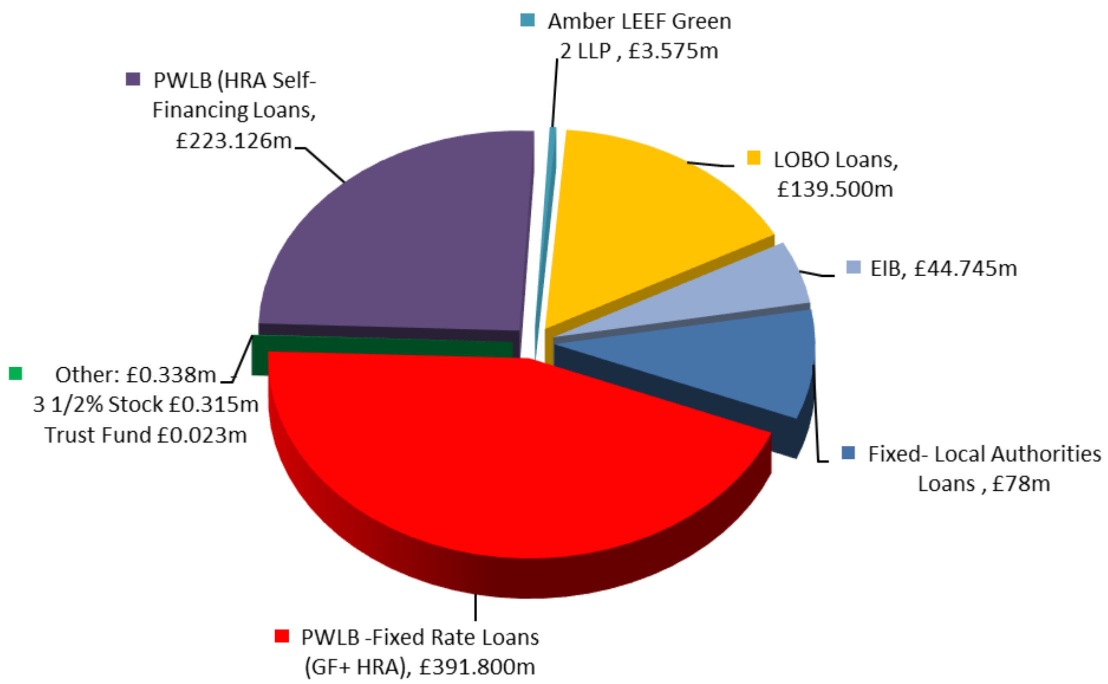
3.5.3 The Authorised Limit sets the maximum amount that the Council can borrow for capital and revenue purposes. This ceiling was not exceeded and the Council's overall borrowing as at 31 March 2017 stood at £881.067m. The Operational Limit was also observed.

The Council's external debt at 1st April 2016 and 31st March 2017 is detailed graphically as follows:

External Debt as at 1 April 2016 (£801.584m)



External Debt as at 31 March 2017 (£881.067m)



3.5.4 In 2016/2017, the Council took up £39m of new long term borrowing at historically low interest rate levels, representing real savings in the Authority's cost of borrowing. The limits set allow for £79m additional debt, however, to manage costs, internal cash balances have been used instead of borrowing more. Of the £39m borrowed, £19m was taken up as two maturity loans from the European Investment Bank (EIB) to fund Education schemes within the Capital Programme. These loans were £10m for 15 years at 1.759% and £9m for 13 years at 1.378%. Interest rates secured were lower than the comparable Public Works Loan Board (PWLB) interest rate on the days these were agreed. The loans taken from the EIB now total £44.745m of the loan facility of £102m negotiated between the Council and the EIB in July 2015. This facility will offer cheaper alternative sources of long term funding generating substantial savings of interest payable on the Authority's overall debt in the future.

3.5.5 In 2012, the Government introduced a 20 basis points discount on loans from the PWLB for those authorities providing improved information and transparency on their locally determined long-term borrowing and associated capital spending plans. This special rate was termed the 'certainty rate'. The Council applied to HM Treasury to be eligible for this rate to finance its prudential borrowing and also to refinance maturing long term debt over the next three financial years. The application was successful and the Authority took up a new £20m maturity loan from the PWLB at this lower rate in June 2016. The loan was over 46 years at a rate of 2.49%. The 'certainty rate' facility remains in place for future borrowing.

3.5.6 The Council's treasury strategy for 2016/17 was approved by Full Council **on 29 February 2016 (Minute A19/16 refers)**. Within the report were detailed the different borrowing strategies available, of which temporary borrowing and borrowing from other local authorities were options. Borrowing undertaken for up to 364 days is termed temporary borrowing and this form of borrowing is also being offered by other local authorities at rates between 0.16% for one month to 0.45% for 364 days. Temporary borrowing can be used for cash flow purposes pending a more advantageous time to borrow long term. To maximise savings on the interest payable on the Council's external debt, the Treasury Section has in 2016/17 utilised a combination of temporary borrowing, PWLB borrowing for longer periods and the loan facilities provided by the EIB as detailed in 3.5.4 as well as internal cash balances whenever possible.

3.5.7 The interest rate payable on the Council's long term fixed rate debt has remained consistently below the average of all non-debt free London Boroughs. This has been independently verified by CIPFA and is detailed below. To provide some context if the Council's long term cost of debt was at the London average an additional £6m would need to be found each year. Currently the Council can borrow at levels below the average rate, and therefore the cost of new debt and of refinancing debt as it matures lowers the average rate payable. The average rate payable is likely to continue to fall until interest rates move to an upward path.

Interest rate payable on long term fixed rate external debt

	2006/ 2007	2007/ 2008	2008/ 2009	2009/ 2010	2010/ 2011	2011/ 2012	2012/ 2013	2013/ 2014	2014/ 2015	2015/ 2016	2016/ 2017
	%	%	%	%	%	%	%	%	%	%	%
Croydon	4.64	4.77	4.6	4.42	4.32	4.36	4.06	3.97	3.84	3.8	3.69
London Boroughs (Average)	5.66	5.9	5.82	5.65	5.11	4.39	4.55	4.53	4.51	4.43	not available

The above data is attached as a chart in **Appendix B**.

3.6 Compliance with Prudential Indicators

3.6.1 The Prudential Code for Capital Finance in Local Authorities serves as a professional code of practice to support local authorities in complying with Part 1 of the Local Government Act 2003. The Code required the continual monitoring of the Prudential Indicators set by the Council.

3.6.2 The purpose of the Prudential Indicators set is to contain the activity of the treasury function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decisions impacting negatively on the Council's overall financial position.

3.6.3 The Prudential Indicators set by this Authority for 2016/2017 and the actual outturn figures are detailed in **Appendix C.**

3.7 **Repayment of Debt and Debt Rescheduling**

3.7.1 In 2016/2017, as a result of both the high premiums attached to the premature repayment of debt there were minimal opportunities for the rescheduling of the Council's long term debt and therefore none was undertaken.

3.7.2 The borrowing strategy adopted in 2016/2017 ensures that debt will mature over a spread of future years so as to avoid 'clustering' and thus exposure to any future in-year events.

3.8 **Markets in Financial Instruments Directive**

3.8.1 The introduction of the second Markets in Financial Instruments Directive may impact on the treasury activities of the authority. It is possible that, for certain listed financial instruments, counterparties might have to undertake an assessment of the Council, to form a view as whether to treat it as a professional or retail client. In order to continue to effectively implement the authority's treasury strategy after 3rd January 2018, the date from which the Directive takes effect, applications for election to be treated as a professional clients should be submitted to all financial institutions with whom the authority has an existing or potential relationship in relation to its treasury functions. This process should commence as soon as possible in order to ensure completion in good time and avoids the need for appropriate action to be taken by institutions in relation to the authority's treasury. The Executive Director of Resources (Section 151 Officer) is granted delegation to make applications on the authority's behalf.

4 CONSULTATION

4.1 Full consultation has taken place with the Council's Treasury Management advisers, Capita Asset Services in the preparation of this report.

5. FINANCIAL CONSIDERATIONS

5.1 Revenue and Capital consequences of this report are dealt within this report. There are no additional financial considerations other than those identified in this report.

The effect of the decision

5.2 Approval of this report will endorse the continued implementation of the Council's Treasury Management Strategy by the Executive Director of Resources (Section 151 Officer).

Risks

5.3 There are no further risks issues other than those already detailed in this report.

Options

5.4 These are fully dealt with in this report

Savings/ future efficiencies

5.5 This report sets out the treasury activities in 2016/2017 and demonstrates the Council's compliance with the Prudential Code and the limits set in both the Code and the Treasury Strategy Statement and the Annual Investment Strategy 2016/2017 report presented to Members **on 29 February 2016 (Minute A19/16 refers)**

Approved by: Lisa Taylor, Director of Finance, Investment and Risk

6. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

6.1 The Solicitor to the Council comments that there are no legal considerations arising from the recommendations within the report.

Approved by: Jacqueline Harris-Baker Director of Law and Monitoring Officer

7. HUMAN RESOURCES IMPACT

7.1 There are no immediate HR considerations that arise from the recommendations of this report for LBC staff or workers.

Approved by: Sue Moorman, Director of Human Resources.

8. CUSTOMER IMPACT

8.1 There are no Customer impacts arising from this report.

9. EQUALITIES IMPACT ASSESSMENT (EIA)

9.1 Consistent with the requirements of equal opportunities legislation including the Disability Equality Duty, the Council carries out an equality impact assessment on new policies, or existing policies which are the subject of major change.

9.2 The Council's Capital and Revenue Budget 2016/2017 is not subject to an equality impact assessment. However, in those areas where the setting of the capital and revenue budget result in new policies or policy change, then it is the responsibility of the relevant service department to carry out an equality impact assessment which evaluates how the new or changed policy will impact on disadvantaged sections of the community, including disabled people. The impact assessment includes consultation with disabled people and user-led disabled people organisations.

10. ENVIRONMENT AND DESIGN IMPACT

10.1 There are no Environment and Design impacts arising from this report.

11. CRIME AND DISORDER REDUCTION IMPACT

11.1 There are no Crime and Disorder reduction impacts arising from this report.

12. HUMAN RIGHTS IMPACT

12.1 There are no Human Rights impacts arising from this report.

13. FREEDOM OF INFORMATION/DATA PROTECTION CONSIDERATIONS

13.1 There are no specific Data Protection or Freedom of Information considerations arising from this report.

BACKGROUND DOCUMENTS:

CIPFA's Prudential Code for Capital Finance in Local Authorities Fully Revised Edition 2009 and updated 2011 edition.
CIPFA's Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes – Fully Revised Second Edition 2009 and updated 2011 edition.
CLG's Guidance on Local Government Investments March 2004.

CONTACT OFFICER:

Nigel Cook, Head of Treasury and Pensions Ext. 62552

APPENDICES:

Appendix A – Authorised Lending List Criteria as at 31 August 2017
Appendix B – London Borough of Croydon - Average Rate of Long Term Fixed Rate Debt 2006/07– Present
Appendix C – Prudential Indicators for 2016/2017
Appendix D – Glossary of Terms used in the Treasury Annual Review report

Appendix A

LONDON BOROUGH OF CROYDON

Authorised Lending List Criteria as at 31 August 2017 (Criteria as per FITCH)

Lending List Criteria

List	Credit Ratings Criteria
A	**FITCH rating in each of the following categories:-** F1+ on Short Term AA or above Long Term aa- or above Viability Rating 2 or lower for Support Rating AA or above Sovereign Rating
B	**FITCH Rating in each of the following categories:-** F1+ on Short Term AA- or above on Long Term a+ or above Viability Rating 2 or lower for Support Rating AA or above Sovereign Rating
	Approved Organisations that meet the credit ratings set out above. All Non-UK Banks that meet the FITCH ratings set out above All UK Building Societies that meet the FITCH ratings set out above UK Banks that meet the FITCH ratings set out above **Approved Organisations not meeting the above credit ratings** Part Nationalised UK Banks All UK Local Authorities AAA rated Money Market Funds – as rated by FITCH & one other rating agency. Debt Management Office

LONDON BOROUGH OF CROYDON
Authorised Lending List as at 31 August 2017 (Criteria as per FITCH)

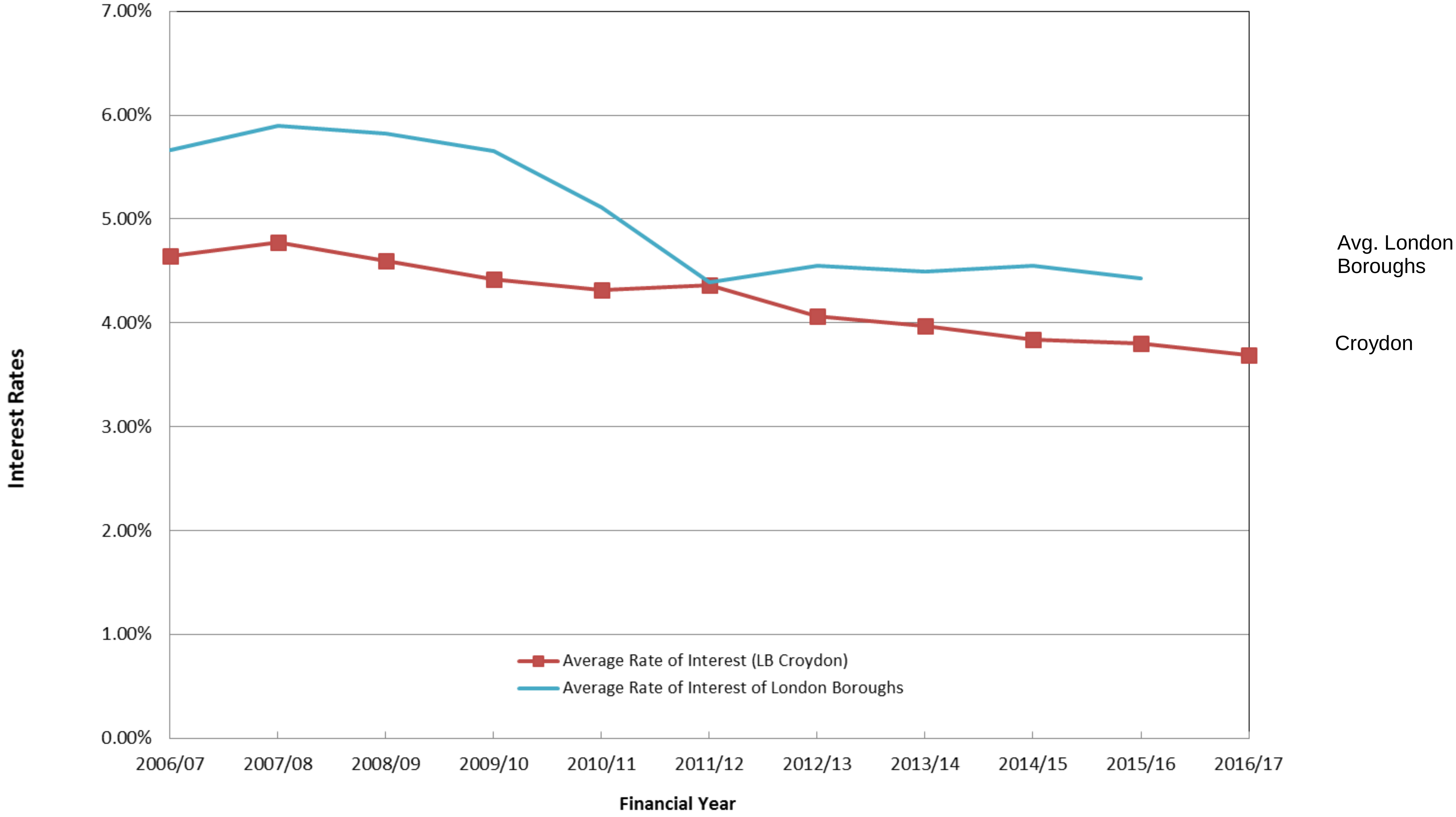
LIST A

Name	Credit Limit £	Long Term Rating	Short Term Rating	Viability Rating	Support Rating	Sovereign Rating
Royal Bank Of Canada **(Canada)**	20,000,000	AA	F1+	aa	2	AAA
Goldman Sachs Money Market Fund	15,000,000	AAA				
JP Morgan Money Market Fund	15,000,000	AAA				
Morgan Stanley Money Market Fund	15,000,000	AAA				
Insight Money Market Fund	15,000,000	AAA				
Deutsche Money Market Fund	15,000,000	AAA				
Royal Bank of Scotland Plc **(Part Nationalised) (UK)**	25,000,000	BBB+	F2	bbb+	5	AA
Debt Management Account **(UK Government Body)**	No Limits					

LIST B

Name	Credit Limit £	Long Term Rating	Short Term Rating	Viability Rating	Support Rating	Sovereign Rating
Australia & New Zealand Banking Group **(Australia)**	10,000,000	AA-	F1+	aa-	1	AAA
Bank Of Montreal **(Canada)**	10,000,000	AA-	F1+	aa-	2	AAA
Bank Of Nova Scotia **(Canada)**	10,000,000	AA-	F1+	aa-	2	AAA
Canadian Imperial Bank Of Commerce **(Canada)**	10,000,000	AA-	F1+	aa-	2	AAA
Commonwealth Bank Of Australia **(Australia)**	10,000,000	AA-	F1+	aa-	1	AAA
DBS Ltd **(Singapore)**	10,000,000	AA-	F1+	aa-	1	AAA
HSBC Bank Plc **(UK)**	10,000,000	AA-	F1+	a+	1	AA
National Australia Bank **(Australia)**	10,000,000	AA-	F1+	aa-	1	AAA
Overseas Chinese Banking Corporation Ltd **(Singapore)**	10,000,000	AA-	F1+	aa-	1	AAA
Toronto-Dominion Bank **(Canada)**	10,000,000	AA-	F1+	aa-	2	AAA
United Overseas Bank Ltd **(Singapore)**	10,000,000	AA-	F1+	aa-	1	AAA
Westpac Banking Corporation **(Australia)**	10,000,000	AA-	F1+	aa-	1	AAA
All UK Local Authorities	10,000000					

London Borough of Croydon - Average Rate of Long Term Fixed Rate Debt 2006/07– Present



Appendix B

Appendix C

PRUDENTIAL INDICATORS FOR 2016/2017

		2016/17	2016/17	Notes
	PRUDENTIAL INDICATORS	**Revised Budget** **£'000**	**Actual** **£'000**	1
1.	**Prudential Indicators for Capital Expenditure**			
1.1	Capital Expenditure			
	General Fund	208,284	113,005	
	HRA	42,960	24,313	
	Total	251,245	137,318	
1.2	In year Capital Financing Requirement			
	General Fund	54,722	25,012	
	HRA	0	0	
	Total	54,722	25,012	2
1.3	Capital Financing Requirement as at 31 March 2017 – **balance sheet figures**			
	General Fund (net of Minimum Revenue Provision (MRP) costs)	600,653	583,228	
	HRA	338,688	322,497	
	Total	939,341	905,725	3
2	**Prudential Indicators for Affordability**			
2.1	Ratio of financing costs to net revenue stream			
	General Fund	10.00%	9.25%	4
	HRA	16.50%	13.06%	5
2.2	General Fund impact of Prudential (unsupported) borrowing on Band D Council Tax levels (per annum).			
	- In year increase	£4.00	£1.96	6
2.3	HRA impact of Prudential (unsupported) borrowing on housing rents (per annum)	0	0	
3	**Prudential Indicators for External Debt**			
3.1	Borrowing Requirement			
	External Debt brought forward 1 April	801,584	801,584	
	External Debt carried forward 31 March	858,242	881,061	7
	Additional borrowing requirement/undertaken	49,609	79,477	

4	**Prudential Indicators for Treasury Management**			
4.1	Borrowing limits - upper limit for fixed interest rate exposure expressed as:-			
	Net principal re fixed rate borrowing / investments	927,354	726,584	
4.2	Borrowing limits - upper limit for variable rate exposure expressed as:-			
	Net principal re variable rate borrowing / investments	20%	6.5%	
4.3	Lending limits - upper limit for total principal sums invested for over 364 days expressed as a % of total investments	30%	0%	

Notes:

1. Actual is based upon draft accounts 2016/2017 which are yet to be audited.

2. Long term funding of £42.330m was used to finance capital expenditure in the year all of which was for the General Fund (GF).

3. The Capital Financing Requirement (CFR) reflects the local authority's underlying need to borrow for a capital purpose. The CFR as 31 March 2017 included the further £1.5m investment in the Real Lettings Property Fund 2.

4. This reflects the impact on the GF of the Council's external debt. The GF's net revenue stream consists of the amount to be met from government grants and local taxpayers. The GF's ratio of financing cost was lower than estimated as a result of the new borrowing undertaken at lower than estimated interest rates.

5. This reflects the impact on the HRA of the Council's external debt. The HRA's net revenue stream consists of rental income received and other income as shown in the HRA accounts.

6. This represents the extra annual levy on a Band D tax bill arising from the take up of GF unsupported borrowing.

7. The external debt brought forward as at 1 April 2017 includes the £223.126m that the Council's HRA borrowed on 28/3/2012 to exit the national HRA Subsidy system. This amount, known as the HRA Self Financing settlement sum, was paid over by the Council to the Government.

Appendix D

GLOSSARY OF TERMS USED IN THE TREASURY ANNUAL REVIEW REPORT

Affordable Borrowing Limit and Authorised Limit for external debt	The maximum amount the Council can borrow for capital and revenue purposes, allowing a prudent margin for unexpected events. The Affordable Borrowing Limit reflects a level of borrowing which, while not desirable, is affordable in the short term. The Council does not have the power to borrow above the Authorised Limit.
Capital Financing Requirement	A calculated notional figure that represents the authority's underlying need to borrow to finance capital expenditure. Note that this does not necessarily mean that this is the sum borrowed.
CIPFA	The Chartered Institute of Public Finance and Accountancy. The leading professional accountancy body for the public services.
CIPFA Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes Fully Updated Edition 2011	The professional code governing treasury management, which was approved by Full Council on 29 February 2016 (Minute A19/16 refers).
Debt Management Office (DMO)	The Debt Management Office (DMO) is an Executive Agency of Her Majesty's Treasury. The DMO's responsibilities include debt and cash management for the UK Government, lending to local authorities and managing certain public sector funds. The majority of the Council's debt is arranged through the DMO (see PWLB below).
European Central Bank (ECB)	The European Central Bank (ECB) is the central bank for Europe's single currency, the Euro. The ECB's main task is to maintain the Euro's purchasing power and thus price stability in the Eurozone. The ECB also sets the bank lending rate across the Eurozone.
European Union (EU)	The European Union (EU) is a politico- economic union of 28 member states that are primarily located in Europe.
European Investment Bank (EIB)	The European Investment Bank (EIB) is owned by the 28 EU countries. It borrows money on the capital markets and lends it at a low interest rate to projects that improve infrastructure, energy supply or environmental standards both inside the EU and in neighbouring or developing countries.

FITCH	An internationally recognised rating agency which is used and approved by the Council's Treasury Advisers, Capita Asset Services. Standard & Poor's and Moody's are also rating agencies.
Gross Domestic Product (GDP)	Gross Domestic Product (GDP) is a measure of a country's economic activity, including all the services and goods produced in a year within that country.
Lenders Option / Borrowers Option Loans (LOBO's)	A form of borrowing where loans run at a fixed rate of interest for a fixed period of time, after which the Lender has the option to ask for repayment or change the interest rate on pre-determined dates. If the Lender decides to exercises the option to change the interest rate the borrower can then decide whether to accept the new terms or repay the loan. These can offer more attractive rates to the borrower than conventional lending.
London Interbank Bid Rate (LIBID)	The interest rate at which major banks in London are willing to borrow (bid for) funds from each other.
Minimum Revenue Provision (MRP)	The amount which must be set aside from revenue each year to cover future repayment of loans. There is no MRP requirement for HRA borrowing.
Monetary Policy Committee (MPC)	Interest rates are set by the Bank of England's Monetary Policy Committee (MPC). The MPC sets an interest rate it judges will enable the inflation target to be met (2% per annum currently). The Bank's Monetary Policy Committee (MPC) is made up of nine members - the Governor, three Deputy Governors for Monetary Policy, Financial Stability and Markets & Banking, the Bank's Chief Economist and four external members appointed directly by the Chancellor.
Operational boundary for external debt	The maximum amount of external debt according to probable events and consistent with the level of external debt projected in the estimates.(see Affordable & Authorised limits above).
Public Works Loan Board (PWLB)	Part of the Government's Debt Management Office, making long-term funds available to local authorities on prescribed terms and conditions.