

# **Annual Treasury Management Report**

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## **2023/24**

Presented to: Cabinet 10 September 2024  
Budget & Performance Panel 18 September 2024  
Council 25 September 2024

# Annual Treasury Management Review 2023/24

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## Purpose

The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2023/24. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

During 2023/24 the minimum reporting requirements were that the full Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 22 February 2023)
- a mid-year (minimum) treasury update report (Council 13 December 2023)
- an annual review following the end of the year describing the activity compared to the strategy (this report).

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

The Council confirms that it has complied with the requirement under the Code to give prior scrutiny (by Budget and Performance Panel) to all of the above treasury management reports before they were reported to the full Council.

## Introduction and Background

This report summarises the following:-

- Capital activity during the year;
  - Impact of this activity on the Council's underlying indebtedness (the Capital Financing Requirement);
  - The actual prudential and treasury indicators;
  - Overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances;
  - Summary of interest rate movements in the year;
  - Detailed debt activity; and
  - Detailed investment activity.
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# 1. The Council's Capital Expenditure and Financing 2023/24

The Council undertakes capital expenditure on long-term assets. 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 from the above sources, or a decision is taken not to apply such resources, the capital expenditure will give rise to a borrowing need (also referred to as "unfinanced", within the tables and sections below).

The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

General Fund (GF) £M	2022/23 Actual	2023/24 Estimate	2023/24 Actual
<b>Capital expenditure</b>	<b>10.44</b>	<b>23.97</b>	<b>7.60</b>
Financed in year	(5.83)	(10.85)	(4.01)
<b>Unfinanced capital expenditure (i.e. reliant on an increase in underlying borrowing need)</b>	<b>4.61</b>	<b>13.12</b>	<b>3.59</b>

HRA £M	2022/23 Actual	2023/24 Estimate	2023/24 Actual
<b>Capital expenditure</b>	<b>5.31</b>	<b>7.22</b>	<b>6.76</b>
Financed in year	(5.31)	(7.22)	(6.76)
<b>Unfinanced capital expenditure (i.e. reliant on an increase in underlying borrowing need)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

# 2. The Council's Capital Financing Requirement 2023/24

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 2023/24 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury function organises the Council's cash position 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 [PWL] or the money markets), or utilising temporary cash resources within the Council.

**Reducing the CFR** – the Council's (non HRA) underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to

make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This is effectively a repayment of the non-Housing Revenue Account (HRA) borrowing need (there is no statutory requirement to reduce the HRA CFR). This differs in purpose from other treasury management arrangements, which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

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).

The Council's 2023/24 MRP Policy (as required by CLG Guidance) was approved as part of the Treasury Management Strategy Report for 2023/24 on 22 February 2023.

The Council's CFR for the year is shown below, and represents a key prudential indicator.

No borrowing has actually been required against these schemes, however, as cash supporting the Council's reserves, balances and cash flow has been used as an interim measure

CFR (£M): General Fund	31 March 2023 Actual	31 March 2024 Estimate	31 March 2024 Actual
<b>Opening balance</b>	<b>58.96</b>	<b>63.56</b>	<b>63.56</b>
Add unfinanced capital expenditure (as above)	4.61	13.12	3.59
Less MRP	(0.01)	(2.63)	(2.66)
Less finance lease repayments	0.00	0.00	0.00
<b>Closing balance</b>	<b>63.56</b>	<b>74.05</b>	<b>64.49</b>

CFR (£M): HRA	31 March 2023 Actual	31 March 2024 Estimate	31 March 2024 Actual
<b>Opening balance</b>	<b>36.18</b>	<b>35.13</b>	<b>35.13</b>
Add unfinanced capital expenditure (as above)	0.00	0.00	0.00
Less Debt Repayment	(1.05)	(1.04)	(1.04)
<b>Closing balance</b>	<b>35.13</b>	<b>34.09</b>	<b>34.09</b>

CFR (£M): Combined	31 March 2023 Actual	31 March 2024 Estimate	31 March 2024 Actual
<b>Opening balance</b>	<b>95.14</b>	<b>98.69</b>	<b>98.69</b>

CFR (£M): Combined	31 March 2023 Actual	31 March 2024 Estimate	31 March 2024 Actual
Add unfinanced capital expenditure (as above)	4.61	13.12	3.59
Less Debt Repayment, Finance Leases and MRP	(1.06)	(3.67)	(3.70)
<b>Closing balance</b>	<b>98.69</b>	<b>108.14</b>	<b>98.58</b>

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

**Gross borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2023/24) plus the estimates of any additional capital financing requirement for the current (2024/25) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allowed the Council some flexibility to borrow in advance of its immediate capital needs in 2023/24. The table below highlights the Council's gross borrowing position against the CFR. The Treasury Management Strategy for 2023/24 estimated that some borrowing in advance may be undertaken but was within the forecast CFR for the next two years. The Council has, therefore, complied with this prudential indicator.

£M	31 March 2023 Actual	31 March 2024 Estimate	31 March 2024 Actual
Gross borrowing position	59.01	73.47	57.96
CFR	98.69	108.14	98.58

**The authorised limit** - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2023/24 the Council has maintained gross borrowing within its authorised limit.

**The operational boundary** – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.

**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 net revenue stream.

	2023/24 Actual
Authorised limit	£115.00M
Maximum gross borrowing position	£57.96M
Operational boundary	£99.00M
Average gross borrowing position	£58.65M
Financing costs as a proportion of net revenue stream - GF	17.98%

Financing costs as a proportion of net revenue stream - HRA	17.52%
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### 3. Treasury Position as at 31 March 2024

The Council's debt and investment position is administered to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices. At the end of 2023/24 the Council's treasury position was as follows:

DEBT PORTFOLIO	31 March 2023 Principal £M	Average Rate %	Average Life yrs	31 March 2024 Principal £M	Average Rate %	Average Life yrs
Fixed rate funding:						
PWLB	59.01	4.78	30	57.96	4.81	29
<b>Total debt</b>	<b>59.01</b>			<b>57.96</b>		
<b>CFR</b>	<b>98.69</b>			<b>98.59</b>		
<b>Over / (under) borrowing</b>	<b>(39.69)</b>			<b>(40.63)</b>		

The loan repayment schedule is as follows:

	31 March 2024 Actual £M
Under 12 months	1.04
12 months and within 24 months	1.04
24 months and within 5 years	3.12
5 years and within 10 years	5.21
10 years and within 20 years	8.35
20 years and within 30 years	0.00
More than 30 years	39.20

All investments were placed for under one year.

INVESTMENT PORTFOLIO	31 March 2023 £M	31 March 2023 %	31 March 2024 £M	31 March 2024 %
Money Market Funds	4.00	17.00	0.50	5.00
Other Local Authorities	20.00	83.00	10.00	95.00
<b>Total investments</b>	<b>24.00</b>		<b>10.50</b>	

The average rate of interest payable on PWLB debt in 2023/24 was 4.82%. A total of £2.82M interest was incurred during the year, of which £1.68M was recharged to the HRA.

#### *Interest Payable*

	2023/24
Estimate	£2.82M
Actual	£2.82M

## 4. The Strategy for 2023/24

Investment returns picked up throughout the course of 2023/24 as central banks, including the Bank of England, realised that inflationary pressures were not transitory, and that tighter monetary policy was called for.

Starting April at 4.25%, Bank Rate moved up in stepped increases of either 0.25% or 0.5%, reaching 5.25% by August. By the end of the financial year, no further increases were anticipated.

The change in investment rates meant that local authorities continued to be faced with the challenge of pro-active investment of surplus cash, and this emphasised the need for a detailed working knowledge of cash flow projections so that the appropriate balance between maintaining cash for liquidity purposes, and “laddering” deposits on a rolling basis to lock in the increase in investments rates as duration was extended, became an ongoing feature of the investment landscape.

While the Council has taken a prudent approach to investing surplus monies, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the Global Financial Crisis of 2008/09. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.

## 5. The Economy and Interest Rates (supplied by Link Asset Services)

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

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

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

	UK	Eurozone	US
<b>Bank Rate</b>	5.25%	4%	5.25%-5.5%
<b>GDP</b>	-0.3%q/q Q4 (-0.2%y/y)	+0.0%q/q Q4 (0.1%y/y)	2.0% Q1 Annualised

<b>Inflation</b>	3.4%/y/y (Feb)	2.4%/y/y (Mar)	3.2%/y/y (Feb)
<b>Unemployment Rate</b>	3.9% (Jan)	6.4% (Feb)	3.9% (Feb)

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

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

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

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

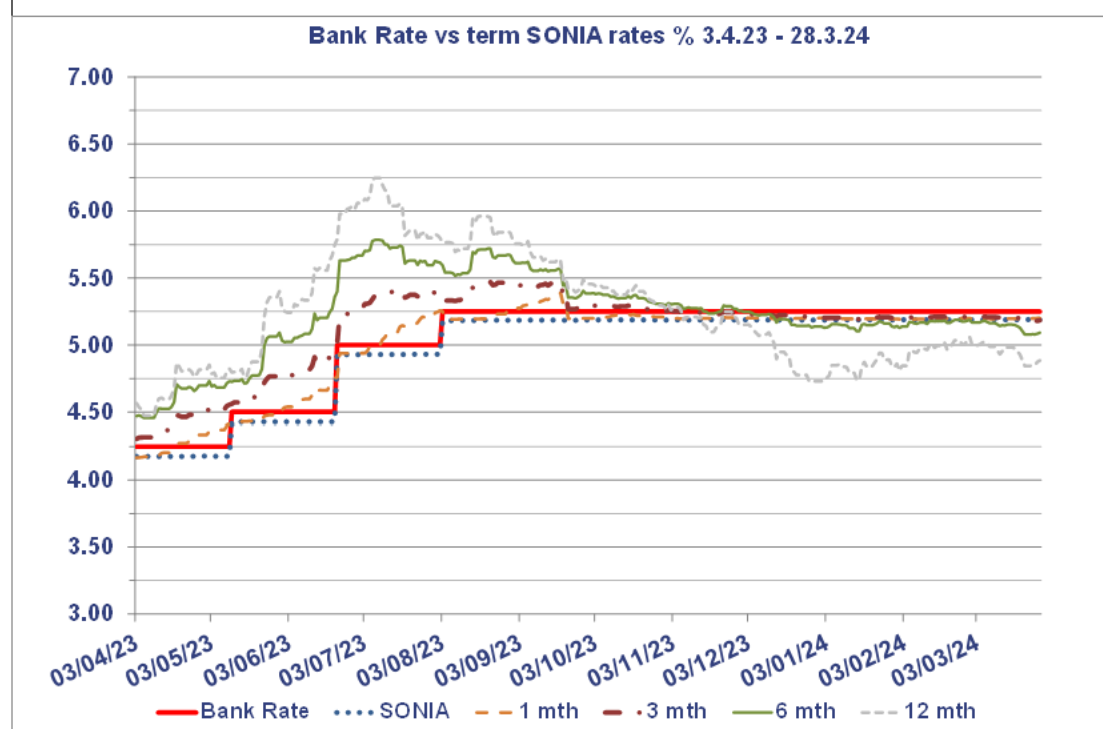
*From a fiscal perspective, the further cuts to national insurance tax (from April) announced in the March Budget will boost real household disposable income by 0.5 - 1.0%. After real household disposable income rose by 1.9% in 2023, Capital Economics forecast it will rise by 1.7% in 2024 and by 2.4%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

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

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



## Investment Benchmarking Data – Sterling Overnight Index Averages (Term) 2023/24



## 6. Borrowing Strategy and Control of Interest Rate Risk

During 2023/24, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement set out in paragraph 2), was not fully funded with loan debt. This strategy was prudent as although near-term investment rates were equal to, and sometimes higher than, long-term borrowing costs, the latter are expected to fall back through 2024 and 2025 as inflation concerns are dampened.

The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this was kept under review to avoid incurring higher borrowing costs in the future when the authority may not be able to avoid new borrowing to finance capital expenditure.

Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Section 151 Officer therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risk:

- if it had been felt that there was a significant risk of a sharp FALL in long and short term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings would have been postponed, and potential rescheduling from fixed rate funding into short term borrowing would have been considered.
- if it had been felt that there was a significant risk of a much sharper RISE in long and short term rates than initially expected, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years.

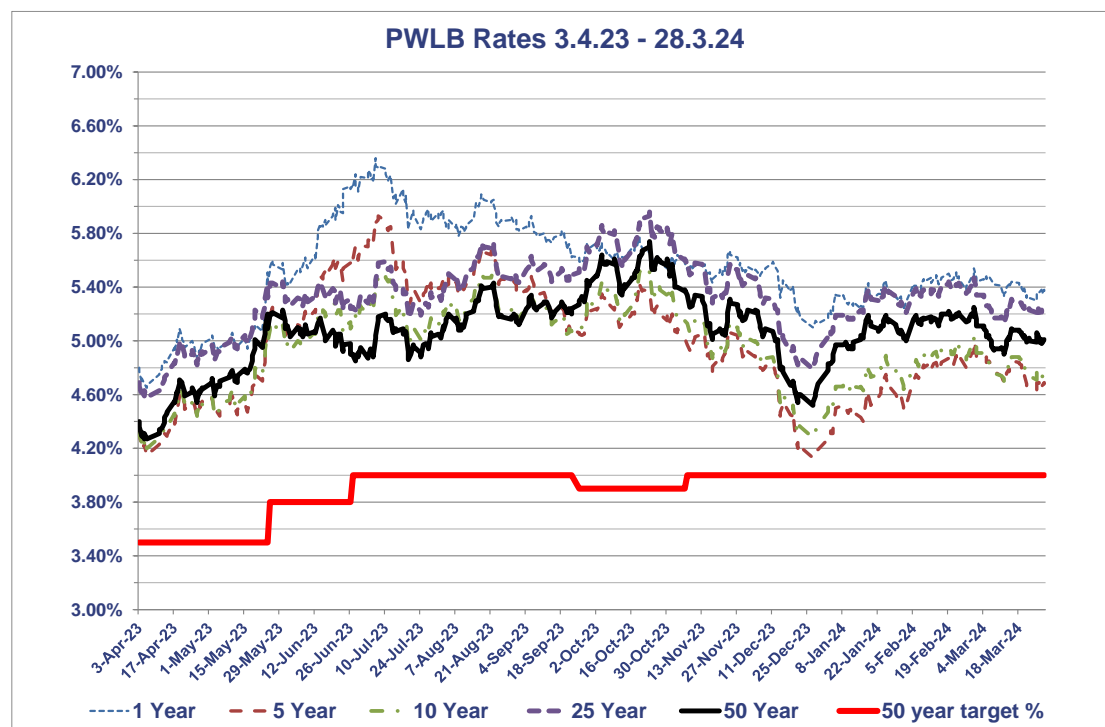
Interest rate forecasts initially suggested further gradual rises in short, medium and longer-term fixed borrowing rates during 2023/24. Bank Rate had initially been forecast to peak at 4.5% but is now expected to have peaked at 5.25%.

By January it had become clear that inflation was moving down significantly from its 40-year double-digit highs, and the Bank of England signalled in March 2024 that the next move in Bank Rate would be down, so long as upcoming inflation and employment data underpinned that view. Currently the CPI measure of inflation stands at 3.4% but is expected to fall materially below 2% over the summer months and stay there in 2025 and 2026. Nonetheless, there remain significant risks to that central forecast, mainly in the form of a very tight labour market putting upward pressure on wages, and continuing geo-political inflationary risks emanating from the prevailing Middle East crisis and the Russian invasion of Ukraine.

Forecasts at the time of approval of the treasury management strategy report for 2023/24 were as follows:

	Mar-23	Mar-24	Mar-25	Dec-25
Bank Rate	4.25	4.00	3.00	2.50
3 Month average earnings	4.30	4.00	3.00	2.50
6 Month average earnings	4.50	4.10	3.00	2.60
12 Month average earnings	4.70	4.20	3.10	2.70
5yr PWLB rate	4.20	3.90	3.40	3.10
10yr PWLB rate	4.30	4.00	3.50	3.30
25yr PWLB rate	4.60	4.20	3.70	3.50
50yr PWLB rate	4.30	3.90	3.50	3.20

**PWLB borrowing rates** - the graph and table for PWLB rates below show, for a selection of maturity periods, the average borrowing rates, the high and low points in rates, spreads and individual rates at the start and the end of the financial year:



	1 Year	5 Year	10 Year	25 Year	50 Year
<b>Low</b>	4.65%	4.13%	4.20%	4.58%	4.27%
<b>Date</b>	06/04/2023	27/12/2023	06/04/2023	06/04/2023	05/04/2023
<b>High</b>	6.36%	5.93%	5.53%	5.96%	5.74%
<b>Date</b>	06/07/2023	07/07/2023	23/10/2023	23/10/2023	23/10/2023
<b>Average</b>	5.54%	4.99%	4.97%	5.34%	5.08%
<b>Spread</b>	1.71%	1.80%	1.33%	1.38%	1.47%

## 7. Borrowing Outturn for 2023/24

### Borrowing

No long-term borrowing was undertaken during the year.

### Borrowing in advance of need

The Council has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed.

### Rescheduling

No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

## 8. Investment Outturn for 2023/24

**Investment Policy** – the Council’s investment policy is governed by MHCLG investment guidance, which has been implemented in the annual investment strategy approved by the Council on 22 February 2023. 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 rating outlooks, credit default swaps, bank share prices etc.).

The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

**Resources** – the Council’s cash balances comprise revenue and capital resources and cash flow monies. The Council’s core cash resources comprised as follows:

Balance Sheet Resources (£M)	General Fund		HRA		TOTAL	
	31/03/23	31/03/24	31/03/23	31/03/24	31/03/23	31/03/24
Balances	11.68	10.33	0.62	0.75	12.30	11.08
Earmarked reserves	13.63	17.14	10.31	6.93	23.94	24.07
Provisions	4.74	3.98	0.00	0.00	4.74	3.98
Working Capital	15.06	7.28	3.96	3.58	19.02	10.86
<b>Total</b>	<b>45.11</b>	<b>38.73</b>	<b>14.89</b>	<b>11.26</b>	<b>60.00</b>	<b>49.99</b>
<b>Amount Over/(Under) Borrowed</b>						<b>(40.61)</b>
<b>Baseline Investment Balances</b>						<b>9.38</b>

**Investments held by the Council** - the Council maintained an average investment balance of £32.42M of internally managed funds. The average rate of interest earned for the year was 4.90%. The weighted average rate of interest being earned on the investment portfolio at the end of the year is also given. These rates are compared to the average base rate and average 7- day SONIA (Sterling Overnight Index Average).

	2023/24
Lancaster CC Investments full year	4.90
Lancaster CC Investments weighted average at 31 March	5.58
Base Rate	5.03
7 day SONIA rate	4.96

The actual interest earned in 2023/24 was £1.604M.

## 10. Other Risk Management Issues

Many of the risks in relation to treasury management are managed through the setting and monitoring of performance against the relevant Prudential and Treasury Indicators and the approved Investment Strategy, as discussed above.

The 2021 CIPFA codes and guidance notes have placed further importance on risk management. Where an authority changes its risk appetite e.g., for moving surplus cash into or out of certain types of investment funds or other types of investment instruments, this change in risk appetite and policy should be brought to members' attention in treasury management update reports.

**LANCASTER CITY COUNCIL**  
**TREASURY MANAGEMENT POLICY STATEMENT**

**Last reported to Council on 28 February 2024**

This reflects the revised CIPFA Treasury Management Code of Practice (Code updated in 2021)

1. This organisation defines its treasury management activities as:  
  
“The management of the authority’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”.
  
  2. This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation and any financial instruments entered into to manage these risks.
  
  3. This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.
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## Treasury Management Glossary of Terms

- **Annuity** – method of repaying a loan where the payment amount remains uniform throughout the life of the loan, therefore the split varies such that the proportion of the payment relating to the principal increases as the amount of interest decreases.
- **CIPFA** – the Chartered Institute of Public Finance and Accountancy, is the professional body for accountants working in Local Government and other public sector organisations, also the standard setting organisation for Local Government Finance.
- **Call account** – instant access deposit account.
- **Counterparty** – an institution (e.g. a bank) with whom a borrowing or investment transaction is made.
- **Credit Rating** – is an opinion on the credit-worthiness of an institution, based on judgements about the future status of that institution. It is based on any information available regarding the institution: published results, Shareholders' reports, reports from trading partners, and also an analysis of the environment in which the institution operates (e.g. its home economy, and its market sector). The main rating agencies are Fitch, Standard and Poor's, and Moody's. They currently analyse credit worthiness under four headings (but see changes referred to in the strategy):
  - **Short Term Rating** – the perceived ability of the organisation to meet its obligations in the short term, this will be based on measures of liquidity.
  - **Long Term Rating** – the ability of the organisation to repay its debts in the long term, based on opinions regarding future stability, e.g. its exposure to 'risky' markets.
  - **Individual/Financial Strength Rating** – a measure of an institution's soundness on a stand-alone basis based on its structure, past performance and credit profile.
  - **Legal Support Rating** – a view of the likelihood, in the case of a financial institution failing, that its obligations would be met, in whole or part, by its shareholders, central bank, or national government.

The rating agencies constantly monitor information received regarding financial institutions, and will amend the credit ratings assigned as necessary.

- **DMADF and the DMO** – The DMADF is the 'Debt Management Account Deposit Facility'; this is highly secure fixed term deposit account with the Debt Management Office (DMO), part of Her Majesty's Treasury.
  - **EIP** – Equal Instalments of Principal, a type of loan where each payment includes an equal amount in respect of loan principal, therefore the interest due with each payment reduces as the principal is eroded, and so the total amount reduces with each instalment.
  - **Gilts** – the name given to bonds issued by the U K Government. Gilts are issued bearing interest at a specified rate, however they are then traded on the markets like shares and their value rises or falls accordingly. The Yield on a gilt is the interest paid divided by the Market Value of that gilt.
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E.g. a 30 year gilt is issued in 1994 at £1, bearing interest of 8%. In 1999 the market value of the gilt is £1.45. The yield on that gilt is calculated as  $8\%/1.45 = 5.5\%$ .  
See also PWLB.

- **LIBID** – The London Inter-Bank Bid Rate, the rate which banks would have to bid to borrow funds from other banks for a given period. The official rate is published by the Bank of England at 11am each day based on trades up to that time.
- **Liquidity** – Relates to the amount of readily available or short term investment money which can be used for either day to day or unforeseen expenses. For example Call Accounts allow instant daily access to invested funds.
- **Maturity** – Type of loan where only payments of interest are made during the life of the loan, with the total amount of principal falling due at the end of the loan period.
- **Money Market Fund (MMF)** – Type of investment where the Council purchases a share of a cash fund that makes short term deposits with a broad range of high quality counterparties. These are highly regulated in terms of average length of deposit and counterparty quality, to ensure AAA rated status.
- **Policy and Strategy Documents** – documents required by the CIPFA Code of Practice on Treasury Management in Local Authorities. These set out the framework for treasury management operations during the year.
- **Public Works Loans Board (PWLB)** – a central government agency providing long and short term loans to Local Authorities. Rates are set daily at a margin over the Gilt yield (see Gilts above). Loans may be taken at fixed or variable rates and as Annuity, Maturity, or EIP loans (see separate definitions) over periods of up to fifty years. Financing is also available from the money markets, however because of its nature the PWLB is generally able to offer better terms.
- **Link Asset Services** – Link Asset Services are the City Council's Treasury Management advisors. They provide advice on borrowing strategy, investment strategy, and vetting of investment counterparties, in addition to ad hoc guidance throughout the year.
- **SONIA** – the sterling Overnight Index Average. Generally a replacement set of indices (for LIBID) for those benchmarking investments.
- **Yield** – see Gilts

Members may also wish to make reference to *The Councillor's Guide to Local Government Finance*.

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