

GLOSSARY

Arlingclose

The council's treasury management advisors.

Bail in Risk

Bail in risk arises from the failure of a bank. Bond-holders or investors in the bank would be expected to suffer losses on their investments, as opposed to the bank being bailed out by government.

Bank Equity Buffer

The mandatory capital that financial institutions are required to hold, in order to provide a cushion against financial downturns, to ensure the institution can continue to meet its liquidity requirements.

The Bank Rate

The Bank of England's interest rate.

Bank Stress Tests

Annual tests carried out by the Bank of England on the UK banking system to assess resilience to recessions in the UK and globally, large falls in assets prices, and higher global interest rates.

Bonds

A bond is a form of loan, the holder of the bond is entitled to a fixed rate of interest (coupon) at fixed intervals. The bond has a fixed life and can be traded.

B.P.S. (Basis points)

One basis point is 0.01%, 25 basis points is 0.25%.

Call Account

A bank account that offers a rate of return and the funds are available to withdraw on a daily basis.

Capital Expenditure

Expenditure on assets (tangible or intangible) that will be used for longer than one year eg property, vehicles, software (intangible assets).

Capital Financing Requirement (CFR)

The CFR is a measure of the capital expenditure incurred historically, but has yet to be financed (or funded); by for example capital receipts or grants funding.

Capital Receipt

The cash received from the sale of a non-current asset eg sale of property or land.

CIPFA

The Chartered Institute of Public Finance and Accountancy (CIPFA) is a professional institute for accountants working in the public services, national audit agencies, in major accountancy firms, and in other bodies where public

money needs to be managed. It is the only UK professional accountancy body to specialise in public services.

Collar (Money Market Fund)

The fund “collar” forms part of the valuation mechanism for the fund. LVNAV funds allow investors to purchase and redeem shares at a constant NAV calculated to 2 decimal places, i.e. £1.00. This is achieved by the fund using amortised cost for valuation purposes, subject to the variation against the marked-to-market NAV being no greater than 20 basis points (0.2%). (This compares to current Prime CNAV funds which round to 50 basis points, or 0.5%, of the NAV.)

Counterparty

Another organisation with which the Council has entered into a financial transaction with, for example, invested with or borrowed from.

CPI

The Consumer Price Index is a price index, it is the price of a weighted average market basket of consumer goods and services purchased by households. Changes in CPI track changes in process over time. CPIH includes housing costs.

Credit Default Swaps (CDS)

A financial agreement that the seller of the CDS will compensate the buyer in the event of a loan default. The seller insures the buyer against a loan defaulting.

Credit Ratings

A credit rating is the evaluation of a credit risk of a debtor, and predicting their ability to pay back the debt. The rating represents an evaluation of a credit rating agency of the qualitative and quantitative information, this result in a score, denoted usually by the letters A to D and including +/- . Fitch, Moody's and Standard and Poor's provide credit ratings.

DLUHC

The Department for Levelling Up, Housing and Communities (DLUHC), formerly the Ministry for Housing, Communities and Local Government (MHCLG), is the UK Government department for housing, communities and local government in England.

DMO

The Debt Management Office is an executive agency of HM Treasury. The DMO operates the PWLB lending facility and the Debt Management Account Deposit Facility (DMADF). The DMADF offers fixed term deposits, with rates fixed on the day of deposit. All deposits with the DMADF are placed in the Debt Management Account and therefore represent a direct claim on the government.

ESG (Environmental, Social and Governance)

ESG is a set of standards for an organisation's behaviour, used by investors to screen potential investments.

- Environmental focuses on preserving the natural world (eg climate change, energy efficiency, biodiversity).

- Social focuses on people and relationships (eg diversity, inclusion, employee engagement).
- Governance on an organisation's management and leadership (board composition, cybersecurity, preventing bribery and corruption).

Federal Open Market Committee (FOMC)

The Federal Open Market Committee (FOMC), a committee within the Federal Reserve System, is charged with overseeing the USA's open market operations (e.g., the Fed's buying and selling of United States Treasury securities). This Federal Reserve committee makes key decisions about interest rates and the growth of the United States money supply.

FTSE

A UK provider of stock market indices, it is owned by the London Stock Exchange.

GDP

Gross Domestic Product is a monetary measure of the market value of all the final goods and services produced by a country in a particular time period.

Gilts

Bonds issued by the Government. Gilts are traded, as the price of the bond falls the yield increases, although the face value and interest rate paid are fixed.

Internal Borrowing

The use of the council's own cash balances to finance expenditure. As opposed to external borrowing eg from PWLB.

Liquidity

The degree to which an asset can be bought or sold quickly.

LVNAV Money Market Fund

Low volatility net asset value. The fund will have at least 10% of its assets maturing on a daily basis and at least 30% of assets maturing on a weekly basis.

Minimum Revenue Provision (MRP)

An amount set aside to repay debt.

Monetary Policy Committee (MPC)

The Monetary Policy Committee (MPC) is a committee of the Bank of England, which meets eight times a year, to decide the official interest rate in the United Kingdom (the Bank of England Base Rate).

Money Market Funds

An open ended mutual fund that invests in short-term debt securities. A deposit will earn a rate of interest, whilst maintaining the net asset value of the investment. Deposits are generally available for withdrawal on the day.

Public Works Loans Board (PWLB)

The PWLB is an agency of the Treasury, it lends to public bodies at fixed rates for periods up to 50 years. Interest rates are determined by gilt yields.

Prudential Code (CIPFA)

The framework established by the Prudential Code supports local strategic planning, local asset management planning and proper option appraisal. The objective of the Prudential Code is to ensure, within this clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable.

SONIA (Sterling over night index average)

SONIA is an important interest rate benchmark. It is administered by the Bank of England, and is based on actual transactions and reflects the average on the interest rates that banks pay to borrow sterling overnight from other financial institutions. This rate has replaced LIBOR.

S31 Grants

Grants issued by central government to local authorities, relating to a specific purpose.

Transactional Banking

Use of a bank for day to day banking requirement, e.g. provision of current accounts, deposit accounts and on-line banking.

Treasury Management Code (CIPFA)

This code was developed to meet the needs of local authorities (including PCCs and fire authorities), registered social landlords, further and higher education institutions, and NHS trusts. In order to provide a clear definition of treasury management activities.