

## GLOSSARY

<b>Asset Class Limits</b>	Limit on the amount of the total portfolio that can be invested an asset class for example credit rated Banks, Money Market Funds unrated Building Societies
<b>Asset Life</b>	The length of the useful life of an asset e.g. a school
<b>Borrowing / Investment Portfolio</b>	A list of loans or investments held by the Council.
<b>Borrowing Requirement</b>	The amount that the Council needs to borrow to finance capital expenditure and manage debt.
<b>Callable deposit</b>	Funds placed with a financial institution without a fixed maturity date (i.e. the money can be 'called' or withdrawn at any time).
<b>Capitalisation direction</b>	Government approval to use capital resources to fund revenue expenditure.
<b>Cash deposits</b>	Funds placed with a financial institution with a fixed maturity date and interest rate.
<b>Certificates of deposits</b>	(CD). CDs evidence fixed maturity time deposits with issuing banks or other deposit-taking institutions. Maturities range from less than a week to five years. They are normally negotiable and enjoy a liquid secondary market. They state the (1) amount deposited, (2) rate of interest, and (3) minimum period for which the deposit should be maintained without incurring early withdrawal penalties.
<b>CIPFA Code of Practice on Treasury Management</b>	A code of practice issued by CIPFA detailing best practice for managing the treasury management function.
<b>Counterparty</b>	Banks, Building Societies and other financial institutions that the Council transacts with for borrowing and lending.
<b>Credit Arrangements</b>	Methods of financing such as the use of finance leases
<b>Credit Ratings</b>	A scoring system used by credit rating agencies such as Fitch, Moody's and Standard and Poors to indicate the creditworthiness and other factors of a Governments, banks, building societies and other financial institutions.
<b>Creditworthiness</b>	How highly rated an institution is according to its credit rating.
<b>Debt Management Office</b>	An agency of the HM Treasury and its responsibilities include debt and cash management for the UK Government
<b>Debt Rescheduling</b>	Refinancing loans on different terms and

	rates to the original loan.
<b>Financial instrument</b>	Document (such as a bond, share, bill of exchange, futures or options contract) that has a monetary value or evidences a legally enforceable (binding) agreement between two or more parties regarding a right to payment of money.
<b>Fitch Ratings</b>	A credit rating agency.
<b>Forward commitment</b>	Written agreement by a lender to advance a loan on a future date at a specified interest rate. It automatically expires if not exercised by the potential borrower.
<b>Gilts</b>	Also known as Gilt-edged Securities. UK central Government debt. It may be dated (redeemable) or undated. Undated gilts are perpetual debt, paying a fixed periodic coupon but having no final redemption date. Gilt yields are conventionally quoted in the UK markets on a semi-annual basis.
<b>Interest Rate exposures</b>	A measure of the proportion of money invested and what impact movements in the financial markets would have on them.
<b>Lender Option Borrower Option (LOBO)</b>	Loans that have a fixed rate for a specified number of years then can be varied by the lender at agreed intervals for the remaining life of the loan.
<b>Limits for external debt</b>	A Prudential Indicator prescribed by the Prudential Code sets limits on the total amount of debt the Council could afford.
<b>Liquidity</b>	Access to cash that is readily available.
<b>Lowest Common Denominator</b>	Whereby rating agencies provide credit ratings of institutions and the lowest rating is applied to determine whether they meet the criteria to be on the Council's lending list.
<b>Maturity</b>	The date when an investment is repaid or the period covered by a fixed term investment.
<b>Maturity Structure of Borrowings</b>	A profile of the Council's loan portfolio in order of the date in which they expire and require repayment.
<b>Minimum Revenue Provision</b>	The minimum amount, which must be charged to an authority's revenue account each year for the prudent repayment of debt.
<b>Money Market Funds</b>	Open ended collective investment fund that invests in highly-liquid short-term financial instruments (with maturities typically 90 days to less than one year).
<b>Moody's</b>	A credit rating agency.

<b>Non Specified Investments</b>	Investments deemed to have a greater potential of risk, such as investments for longer than one year or with institutions that do not have credit ratings, like some Building Societies. Limits must be set on the amounts that may be held in such investments at any one time during
<b>Portfolio</b>	A number of different assets, liabilities, or assets and liabilities together, considered as a whole. For example, a diversified investment portfolio. An investor in such a portfolio might hold a number of different investment assets within the portfolio, with the objectives of growing the total value of the portfolio and limiting the risk of losses.
<b>Prudential Borrowing</b>	Borrowing undertaken by the Council that does not attract government support to help meet financing costs.
<b>Prudential Code for Capital Finance in Local Authorities</b>	The capital finance system is based on the Prudential Code developed by CIPFA. The key feature of the system is that local authorities should determine the level of their capital investment and how much they borrow to finance that investment based on their own assessment of what they can afford.
<b>Prudential Indicators</b>	The key objectives of the Prudential Code are to ensure that the capital investment plans are affordable, sustainable and prudent. As part of this framework, the Prudential Code sets out several indicators that must be used to demonstrate this.
<b>Public Works Loan Board (PWLB)</b>	A central government agency which provides loans to local authorities and other prescribed institutions at interest rates slightly higher than those at which the Government itself can borrow.
<b>Credit Rated</b>	Institutions that possess a credit rating from a credit rating agency such as Fitch, Moody's or Standard and Poors.
<b>Risk Control</b>	Putting in place processes to control exposures to events.
<b>Security</b>	Placing cash in highly rated institutions.
<b>Sovereign debt rating</b>	Assessment of the international rating agencies of the likelihood that a particular country will default on its loans.
<b>Specified Investments</b>	Investments that offer high security and liquidity. They must have a maturity of no longer than 364 days.
<b>Standard and Poors</b>	A credit rating agency.
<b>Supranational Institutions</b>	Multi national structures - an amalgamation of different countries offering investment

	opportunities - for example Euro Investment Bank
<b>UK Government Investments</b>	Debt Management Office (DMO) deposits and bonds (gilts) for which maturity date at time of purchase is less than 365 days away
<b>Yield</b>	The rate of return on the current market value of an asset or liability, usually expressed as a percentage per annum. For example, today's yield to maturity of a bond measures the total return to an investor in the bond, reflecting both the interest income over the life of the bond and any capital gain (or loss) from today's market value to the redemption amount payable at maturity.