APPENDIX A

HARLOW COUNCIL
ANNUAL TREASURY MANAGEMENT REPORT 2016/17

Introduction

1. This report sets out the Council's outturn position in accordance with recommended practice.

2. It provides a review of external economic conditions impacting on the Council and focuses on the major issues affecting its borrowing and investments.

3. The Council uses treasury management advisors to help its decision making, keeping officers up to date with economic and more specifically market developments and providing training and support.

4. Economic background and commentary is provided by Arlingclose throughout this Report. Throughout 2016/17 interest rates have remained low and as a consequence interest earnings have been meagre. With the prospect of increasing inflation during 2017/18, treasury management operates in a particularly challenging environment.

5. The year 2016/17 has witnessed a Referendum decision to leave the European Union which has created a period of economic and political uncertainty as the United Kingdom negotiates a deal with the remaining members. The year also exposed local government to potential risk of financial loss from investments should an borrowing bank fail.

6. As a steward of public finance, the Council will continue to take all practical steps to protect its investment portfolio. In this respect emphasis remains in this order of priority:

- **Security:** some of the following might appear contradictory or elusive in this challenging economic environment.
    - Reducing risk in order to protect the return of capital sums, particularly in relation to the Council's investments;
    - The repayment of the sum invested; and / or,
    - A return equal to or higher than the prevailing rate of inflation
- **Liquidity:** availability of cash when needed (adequate but not excessive liquidity)
- **Yield:** a return commensurate with the level of risk.

7. The Council's treasury management activity is underpinned by the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2011 Edition (CIPFA's TM Code) which requires it to produce annual Prudential Indicators and a Treasury Management Strategy Statement (TMSS) on likely

financing and investment activity. The Code also requires that Councillors are informed of treasury management activities at least twice a year (mid-year and at the year-end).

8. The Council's TMSS for 2016/17 was approved by Full Council on 4 February 2016, and superseded by the TMSS 2017/18 on 2 February 2017.

9. The Council invests substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's treasury management strategy.

External Context (supplied by Arlingclose)

10. **Economic background:** Politically, 2016/17 was an extraordinary twelve month period which defied expectations when the UK voted to leave the European Union and Donald Trump was elected the 45th President of the USA. Uncertainty over the outcome of the US presidential election, the UK's future relationship with the EU and the slowdown witnessed in the Chinese economy in early 2016 all resulted in significant market volatility during the year. Article 50 of the Lisbon Treaty, which sets in motion the 2-year exit period from the EU, was triggered on 29 March 2017.

11. UK inflation had been subdued in the first half of 2016 as a consequence of weak global price pressures, past movements in sterling and restrained domestic price growth. However the sharp fall in the Sterling exchange rate following the referendum had an impact on import prices which, together with rising energy prices, resulted in CPI rising from 0.3% year/year in April 2016 to 2.3% year/year in March 2017.

12. In addition to the political fallout, the referendum's outcome also prompted a decline in household, business and investor sentiment. The repercussions on economic growth were judged by the Bank of England to be sufficiently severe to prompt its Monetary Policy Committee (MPC) to cut the Bank Rate to 0.25% in August and embark on further gilt and corporate bond purchases as well as provide cheap funding for banks via the Term Funding Scheme to maintain the supply of credit to the economy.

13. Despite growth forecasts being downgraded, economic activity was fairly buoyant and GDP grew 0.6%, 0.5% and 0.7% in the second, third and fourth calendar quarters of 2016. The labour market also proved resilient, with the ILO (International Labour Organization) unemployment rate dropping to 4.7% in February, its lowest level in 11 years.

14. Following a strengthening labour market, in moves that were largely anticipated, the US Federal Reserve increased rates at its meetings in December 2016 and March 2017, taking the target range for official interest rates to between 0.75% and 1.00%.

15. **Financial markets:** Following the referendum result, gilt yields fell sharply across the maturity spectrum on the view that Bank Rate would remain extremely low for the foreseeable future. After September there was a reversal in longer-dated gilt yields which moved higher, largely due to the MPC revising its earlier forecast that Bank Rate

would be dropping to near 0% by the end of 2016. The yield on the 10-year gilt rose from 0.75% at the end of September to 1.24% at the end of December, almost back at pre-referendum levels of 1.37% on 23 June 2016. 20- and 50-year gilt yields also rose by September 2016 (Q3 2016) to 1.76% and 1.70% respectively, however in the quarter to December 2016 (Q4 2016) yields remained flat at around 1.62% and 1.58% respectively.

16. After recovering from an initial sharp drop at the end of June 2016, equity markets rallied, although displaying some volatility at the beginning of November following the US presidential election result. The FTSE-100 and FTSE All Share indices closed at 7342 and 3996 respectively on 31 March, both up 18% over the year. Commercial property values fell around 5% after the referendum, but had mostly recovered by the end of March.

17. Money market rates for overnight and one week periods remained low since Bank Rate was cut in August. 1- and 3-month LIBID rates averaged 0.36% and 0.47% respectively during 2016-17. Rates for 6- and 12-months increased between August and November, only to gradually fall back to August levels in March, they averaged 0.6% and 0.79% respectively during 2016/17.

18. **Credit background:** Various indicators of credit risk reacted negatively to the result of the referendum on the UK's membership of the European Union. UK bank credit default swaps saw a modest rise but bank share prices fell sharply, on average by 20%, with UK-focused banks experiencing the largest falls. Non-UK bank share prices were not immune, although the fall in their share prices was less pronounced.

19. Fitch and Standard & Poor's downgraded the UK's sovereign rating to AA. Fitch, S&P and Moody's have a negative outlook on the UK. Moody's has a negative outlook on those banks and building societies that it perceives to be exposed to a more challenging operating environment arising from the 'leave' outcome.

20. None of the banks on the Council's lending list failed the stress tests conducted by the European Banking Authority in July and by the Bank of England in November, the latter being designed with more challenging stress scenarios, although Royal Bank of Scotland was one of the weaker banks in both tests. The tests were based on banks' financials as at 31st December 2015, 11 months out of date for most. As part of its creditworthiness research and advice, the Council's treasury advisor Arlingclose regularly undertakes analysis of relevant ratios - "total loss absorbing capacity" (TLAC) or "minimum requirement for eligible liabilities" (MREL) - to determine whether there would be a bail-in of senior investors, such as local authority unsecured investments, in a stressed scenario.

21. In July, following a review of unrated building societies' annual financial statements, Cumberland, Harpenden and Vernon building societies were removed from the Council's list due to a deterioration in credit indicators. The maximum advised maturity was also lowered for eleven other societies from 6 months to 100 days due to the uncertainty facing the UK housing market following the EU referendum.

Local Context

22. On 31 March 2017, the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £230.009m, while usable reserves and working capital are the underlying resources available for investment were £44.803m.

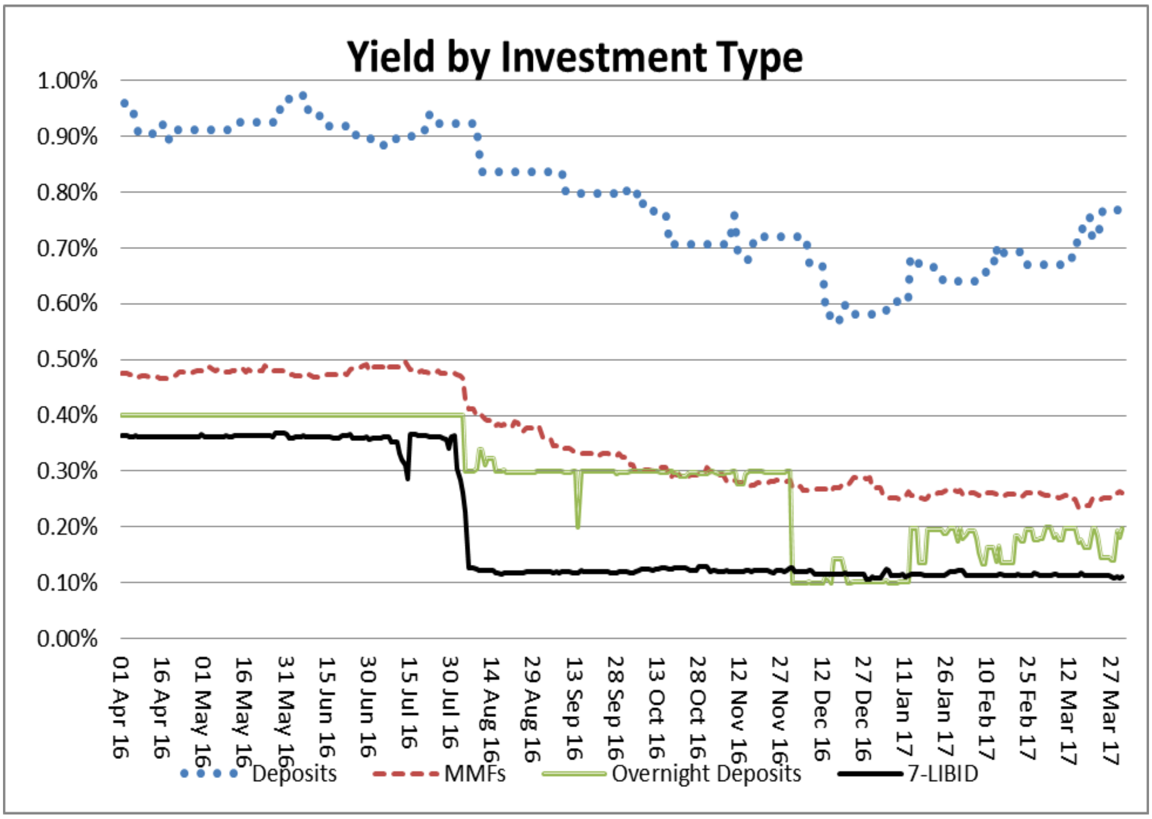
Borrowing Activity

23. At 31 March 2017, the Council held £211.837m of long term loans, unchanged on the previous year.

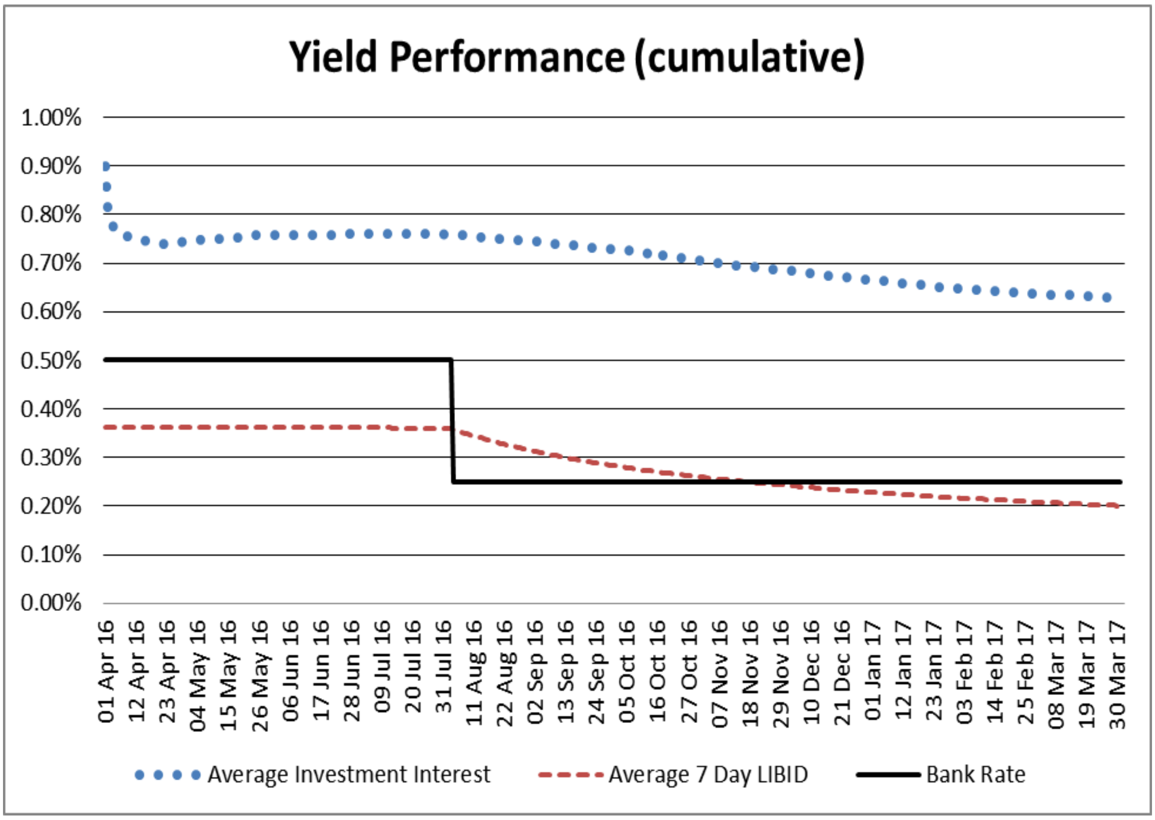
Investment Activity

24. The Council has held significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2016/17, the Council's investment balance ranged between £35.007m and £58.367m due to timing differences between income and expenditure. The average balance of investments held during 2016/17 was £48.509m and interest received was £304,355.

25. The following graph illustrates the yield achieved for various types of investments compared to the 7 Day LIBID rate. During the year yields reduced following a reduction in the Bank Rate on 4 August 2016 from 0.5% to 0.25%. The rate on Overnight Deposits with Barclays Bank was reduced in December 2016. Other deposits include Fixed Term Investments, which have a time lag in reduction in rates, and a Property Fund investment, which yields just over 4% pa on a £2m investment.



26. The average rate of interest for 2016/17 was 0.626%. The average 7 Day LIBID was 0.2%.



27. Investment activity during 2016/17 is shown in the table below:

Investment Position

	31.3.16 Balance £m	2016/17 Movement £m	31.3.17 Balance £m	31.3.17 Rate %
Banks & building societies (unsecured)	24.965	(-) 12.893	12.072	0.45
Local Authorities	0.000	11.000	11.000	0.40
Money Market Funds	16.580	(-) 6.765	9.815	0.25
Building Societies without credit ratings	1.000	0.000	1.000	0.35
Other Pooled Funds (CCLA)	2.000	0.000	2.000	4.20
Total investments	**44.545**	**(-) 8.658**	**35.887**	

28. Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

Other Investment Activity

29. Although not classed as treasury management activities and therefore not covered by the CIPFA Code, the Council also holds £2.5m of investments in loans to local businesses and £1.17m to its subsidiaries. This represents an increase of £2.67m on the previous year.

Compliance

30. The Head of Finance is pleased to report that all treasury management activities undertaken during 2016/17 complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy.

Treasury Management Developments 2017/18

31. The Council approved an updated Treasury Management Strategy Statement for 2017/18 at its meeting in February. A key consideration this financial year has been the reduced use of investments in banks and building societies to avoid bail in risk.

32. In addition, the European Union is changing the rules on how local authorities can access financial services, through the Market in Financial Instruments Directive (MiFID II). The Financial Conduct Authority had some discretion over how to implement this directive in the UK, and it released its final policy statement at the beginning of August 2017.

33. Local authorities are currently all treated by financial services firms as "professional clients", the middle of three categories, and the same as similar-sized companies. But from January 2018, the default position will be that local authorities are to be treated as "retail clients", the same as individuals and small and medium-sized enterprises, which will entail some increased protection, at the likely expense of higher fees, increased paperwork and reduced market access. Authorities will then be permitted to "opt-up" to professional client status, providing they meet the following criteria:

- The authority holds an investment balance of at least £10 million;
- The person making investment decisions on behalf of the authority has at least one year's experience of either providing or receiving financial services in a similar role **or** the authority has made 40 trades in the past year in similar investments to those for which services are to be provided;
- The firm / financial institution assesses that the authority's staff have the expertise, experience and knowledge to make investment decisions on behalf of the authority and understand the risks involved; and
- The authority requests the firm / financial institution to treat it as a professional client.

34. Harlow Council intends to "opt-up" to professional client status in order to retain market access. This is likely to require an application to each financial institution.

Annex A
Prudential Indicators 2016/17

Introduction: The Local Government Act 2003 requires the Council to have regard to the Chartered Institute of Public Finance and Accountancy's *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

This report compares the approved indicators with the outturn position for 2016/17. Actual figures have been taken from or prepared on a basis consistent with, the Council's statement of accounts.

Capital Expenditure: The Council's capital expenditure and financing may be summarised as follows.

Capital Expenditure and Financing	2016/17 Estimate £m	2016/17 Actual £m	Difference £m
General Fund	5.091	**8.535**	**3.444**
HRA	20.910	**18.734**	**(-) 2.176**
Total Expenditure	**26.001**	**27.269**	**1.268**
Capital Receipts	2.431	3.544	1.113
Government Grants	1.129	3.602	2.473
Major Repairs Reserve	10.777	11.054	0.277
Revenue	9.097	5.710	(-) 3.387
Borrowing	2.567	3.359	0.792
Total Financing	**26.001**	**27.269**	**1.268**

Capital Financing Requirement: The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose.

Capital Financing Requirement	31.03.17 Estimate £m	31.03.17 Actual £m	Difference £m
General Fund	43.144	**42.639**	(-) 0.505
HRA	187.370	**187.370**	0
Total CFR	**230.514**	**230.009**	**(-) 0.505**

The CFR fell by £0.505m as capital expenditure financed by debt was outweighed by resources put aside for debt repayment.

Actual Debt: The Council's actual debt at 31 March 2017 was as follows:

Debt	31.03.17 Estimate £m	31.03.17 Actual £m	Difference £m
Borrowing	211.837	**211.837**	0
Finance leases	0	**0**	0
Total Debt	**211.837**	**211.837**	**0**

Gross Debt and the Capital Financing Requirement: In order to ensure that over the medium term debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

Debt and CFR	31.03.17 Estimate £m	31.03.17 Actual £m	Difference £m
Total debt	211.837	**211.837**	0
Capital financing requirement	230.514	**230.009**	(-) 0.505
Headroom	**18.677**	**18.172**	**(-) 0.505**

Total debt remained below the CFR during the forecast period.

Operational Boundary for External Debt: The operational boundary is based on the Council's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Council's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities are not borrowing but form part of the Council's debt.

Operational Boundary and Total Debt	31.03.17 Boundary £m	31.03.17 Actual Debt £m	Complied
Borrowing	252.000	**211.837**	✓
Other long-term liabilities	0	**0**	✓
Total Debt	**252.000**	**211.837**	✓

Authorised Limit for External Debt: The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit and Total Debt	**31.03.17 Boundary £m**	**31.03.17 Actual Debt £m**	**Complied**
Borrowing	260.000	**211.837**	✓
Other long-term liabilities	5.000	**0**	✓
Total Debt	**265.000**	**211.837**	✓

Ratio of Financing Costs to Net Revenue Stream: This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	**31.03.17 Estimate %**	**31.03.17 Actual %**	**Difference %**
General Fund	2.76	**2.91**	0.15
HRA	11.97	**10.73**	(-) 1.24

Adoption of the CIPFA Treasury Management Code: Full Council approved the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* at its meeting on 10 February 2010.

HRA Limit on Indebtedness: The Council's HRA CFR should not exceed the limit imposed by the Department for Communities and Local Government.

HRA CFR	**31.03.17 Limit £m**	**31.03.17 Actual £m**	**Complied**
HRA Capital Financing Requirement	**208.837**	**208.837**	✓

Annex B
Glossary of Terms and Definitions

Bank Rate:
The term ‘Bank Rate’ is ‘the official Bank Rate paid on commercial bank reserves’, i.e. reserves placed by commercial banks with the Bank of England as part of the Bank’s operations to reduce volatility in short term interest rates in the money markets. Previously referred to as “repo rate” this term has been replaced as a result of the change in terminology used by the Bank of England as from May 2006.

Base Rate:
The term Base Rate refers to the rate which is set by each high street bank; it is the key foundational rate on which they each base all their various lending rates to customers. It is normally set at the same rate as the Bank Rate (q.v.) and changes in line with, and very soon after changes in Bank Rate.

BRRD: ‘Bank Recovery and Resolution Directive’

CD: see ‘Certificate of deposit'.

CDS: see ‘Credit Default Swaps’

CFR: see ‘Capital Financing Requirement’

CP: see ‘Commercial paper'.

CRA: see ‘Credit Rating Agency’.

Call Account: ‘Call account' is a bank deposit where funds can be withdrawn at any time.

Callable Deposit
Placing a deposit with a bank or building society at a set rate for a set amount of time. However, the borrower has the right to repay the funds on pre agreed dates before maturity. This decision is based upon how market rates have moved since the deal was agreed. If rates have fallen, the likelihood of the deposit being repaid rises, as cheaper money can be found by the borrower.

Capital Financing Requirement
The Capital Financing Requirement reflects the Council’s underlying need to borrow for capital purposes. Thus, if new capital expenditure is incurred and not financed from sources other than by borrowing, the CFR will increase by the amount of that expenditure. Borrowing, up to the value of the CFR, may be either from internal cash balances or externally, such as from the Public Works Loan Board (q.v.).

Certificate of Deposit
A certificate of deposit is an unsecured investment issued by a bank or building society which is a fixed deposit, giving a guaranteed interest return. These differ from term deposits in that the lender is not obliged to hold the investment through to maturity and may realise the cash by selling the CD into an active secondary market. This may be useful in instances where the counterparty receives a downgraded credit rating, or the investor encounters an unexpected cashflow issue. CDs are obtained through specialist brokers who deal through the primary and secondary market. CDs offer liquidity and greater access to counterparties who do not trade in term deposits.

CIPFA: Chartered Institute of Public Finance and Accountancy.

CIPFA Treasury Management Code of Practice
This represents official practitioners' guidance, which is produced by CIPFA. The government expects Councils and other public service authorities to adopt and comply with the code. The recommendations made in the Code provide a basis for all these public service organisations to create clear treasury management objectives and to structure and maintain sound treasury management policies and practices.

CLG: Department of Communities and Local Government.

Commercial Paper
Short-term obligations with maturities ranging from 2 to 270 days issued by banks, corporations and other borrowers. Such instruments are unsecured and usually discounted, although some may be interest bearing.

Corporate Bond
Strictly speaking, corporate bonds are those issued by companies. However, the term is used to cover all bonds other than those issued by governments in their own currencies and includes issues by companies, supranational organisations and government agencies

Counterparty
A counterparty is a party with which a transaction is done.

CPI: Consumer Prices Index

Credit Default Swaps
A CDS is a contract between two counterparties in which the buyer of the contract makes quarterly payments to the seller of the contract in exchange for a payoff if there is a credit event (e.g. default) of the reference entity (i.e. the third party on whom the contract is based). The contract essentially provides a means of insurance to the buyer of the CDS against default by a borrower. The "spread" (effectively the premium paid by the CDS buyer) provides an indication of the perceived risk of a default occurring.

Credit Rating
A credit rating is an estimate of the quality of a debt from the lender viewpoint in terms of the likelihood of interest and capital not being paid and of the extent to which the lender is protected in the event of default.

An individual, a firm or a government with a good credit rating can borrow money from financial institutions more easily and cheaply than those who have a bad credit rating.

Credit Ratings are evaluated by Credit Rating agencies (q.v.).

Credit rating agency
'Credit rating agency', or 'rating agency', or CRA, is a firm that issues opinions on companies' ability to pay back their bonds. These opinions are often abbreviated on an alphanumeric scale ranging from AAA to C (or equivalent). The three CRAs used by the Council are Fitch, Moody's and Standard and Poor's.

DCLG: Department for Communities and Local Government

DMADF: see ‘Debt Management Agency Deposit Facility’

DMO: see ‘Debt Management Office’

Dealing
Is the process of carrying out transactions with a counterparty (q.v.), including agreeing the terms of an investment. This is usually conducted through a broker.

Debt Management Agency Deposit Facility
Deposit Account offered by the Debt Management Office (q.v.), guaranteed by the UK government.

Debt Management Office
The Debt Management Office (DMO) is an executive agency of HM Treasury responsible for carrying out the government's debt management policy and managing the aggregate cash needs of the Exchequer. It is also responsible for lending to local authorities and managing certain public sector funds.

Derivative
A contract whose value is based on the performance of an underlying financial asset, index or other investment. e.g. an option is a derivative because its value changes in relation to the performance of an underlying stock.

ECB: European Central Bank

Equity
A share in a company with limited liability. It generally enables the holder to share in the profitability of the company through dividend payments and capital gain.

EU: European Union

Fed: The Federal Reserve (US)

FLS: Funding for Lending Scheme

Floating Rate Notes
Bonds on which the rate of interest is established periodically with reference to short-term interest rates

Forward Deal
The act of agreeing today to deposit funds with an institution for an agreed time limit, on an agreed future date, at an agreed rate.

Forward Deposits: see ‘forward deal’

Fund Manager
The individual responsible for making decisions related to any portfolio of investments in accordance with the stated goals of the fund.

GDP: Gross Domestic Product

Gilt
Registered British government securities giving the investor an absolute commitment from the government to honour the debt that those securities represent.

Gilt Funds
Pooled fund investing in bonds guaranteed by the UK government.

HRA: Housing Revenue Account

HRACFR: Housing Revenue Account Capital Financing Requirement

iTraxx benchmark
A group of international credit derivative indexes that are monitored by the International Index Company (IIC). The credit derivatives market that iTraxx provides allows parties to transfer the risk and return of underlying assets from one party to another without actually transferring the assets. iTraxx indexes cover credit derivatives markets in Europe, Asia and Australia.

Lender Option Borrower Option
'Lender Option Borrower Option' (LOBO) is a floating rate instrument which allows the lender to designate an adjustment rate at periodic reset dates and lets the borrower decide whether to pay the rate or redeem the bond.

Liquidity
Liquidity refers to an asset that can be turned into cash or the ability to quickly sell or buy an asset

LIBID: see 'London Interbank Bid Rate'

LIBOR: see 'London Interbank Offer Rate'

LOBO: see 'Lender Option Borrower Option'

London Interbank Bid Rate
The 'London Interbank Bid Rate' (LIBID) is the rate of interest at which first-class banks in London will bid for deposit funds. Often used as a benchmark for deposit rates. LIBID is not fixed in the same way as LIBOR (q.v.), but is typically one-sixteenth to one-eighth of a per cent below LIBOR.

London Interbank Offer Rate
'London Interbank Offer Rate' (LIBOR) is the interest rate which banks pay when lending to each other. It is calculated at a specified time each day and based on what it would cost a panel of banks to borrow funds for various periods of time and in various currencies. It then creates an average of the individual banks' figures.

MMF: see 'Money Market Fund'

Money Market Fund
Money Market Funds are mutual funds that invest in short-term debt instruments. They provide the benefits of pooled investment, as investors can participate in a more diverse and high-quality portfolio than they otherwise could individually. Like other mutual funds, each investor who invests in a money market fund is considered a shareholder of the investment pool, a part

owner of the fund. Money market funds are actively managed within rigid and transparent guidelines to offer safety of principal, liquidity and competitive sector-related returns. It is very similar to a unit trust, however, in a MMF equities are replaced by cash instruments. Returns are typically around 1 month LIBID (q.v.), and the average maturity is generally below 60 days.

MPC: Monetary Policy Committee

MRP: Minimum Revenue Provision, for the repayment of debt.

Open Ended Investment Companies (OEIC)
Investment funds that partly resemble an investment trust and partly a unit trust. Like investment trusts, they issue shares on the London Stock Exchange and invest money raised from shareholders in other companies. The term open-ended means that when demand for the shares rises the fund manager just issues more shares, instead of there being a rise in the share price. The price of OEIC shares is determined by the value of the underlying assets of the fund.

Other Bond Funds
Pooled funds investing in a wide range of bonds.

PWLB: see 'Public Works Loan Board'

Programme of Development
The balance of Programme of Development funding (POD) represents monies received from Central Government for regeneration in the east of England, and is held by the Council on behalf of a Partnership comprising local councils and partners from the third and private sectors. The funding was received after a series of successful bids by the Partnership.

Public Works Loan Board
The Public Works Loan Board (PWLB) is a UK Government statutory body whose function is to lend money from the National Loans Fund to Councils and other public bodies and to collect the repayments.

Rating Agency: see 'Credit Rating Agency'

Repo: see 'Repurchase Agreement'

Repurchase Agreement
'Repurchase agreement', or repo, is a contract where the seller of certain securities agrees to buy them back from the purchaser at a specified time for an agreed price.

Reverse Gilt Repo
This is a transaction as seen from the point of view of the party which is buying the gilts. In this case, one party buys gilts from the other and, at the same time and as part of the same transaction, commits to resell equivalent gilts on a specified future date, or at call, at a specified price.

Sovereign Issues (Ex UK Gilts)
Bonds issued or guaranteed by nation states, but excluding UK government bonds.

Supranational Bonds
Bonds issued by supranational bodies, e.g. European Investment Bank. These bonds – now known as Multilateral Development Bank bonds – are generally AAA rated and behave similarly to gilts, but pay a higher yield ("spread") given their relative illiquidity when compared with gilts.

T-bills: see 'Treasury Bills'.

Term Deposit
(or 'Time deposit') is a generic term for a bank deposit where funds cannot be withdrawn for a fixed period of time. The lender receives a fixed rate of interest. These are unsecured investments and place the lender at risk of bail-in should this occur during the term of the investment.

Time Deposit: see 'Term Deposit'

Treasury Bills
Treasury bills are a AAA/AA+ rated, short-dated form of Government debt, issued by the Debt Management Office (q.v.), via a weekly tender, on a Friday. Lenders would use the services of a specialist broker to access the market. These usually have a maturity of one, three or six months and provide a return to the investor by virtue of being issued at a discount to their final redemption value. There is also an active secondary market for T-bills which means that lending may be available for a range of dates. Interest rates tend to be higher than the DMADF (q.v.).

Treasury Management Strategy
This is the Council's overall policy and framework by which it will carry out that policy in relation to its borrowing and investment needs in the coming financial year.

Treasury Management Policy Statement
This is the Council's statement of intention in respect of its treasury management. It is prescribed by the CIPFA Treasury Management Code of Practice (q.v.).

Variable Rate Asset Value
'Variable Rate Asset Value' (VNAV) occurs where the net asset value, or principal sum, invested may change depending on trading conditions. The value is calculated at the end of the business day based on the value of investments less any liabilities divided by the number of shares outstanding. With investments carrying this attribute, the capital sum invested may not be equal to the capital sum repaid.

VNAV: see 'Variable Net Asset Value'.

Weighted Average Maturity
'Weighted average maturity', or WAM, is used to measure interest rate risk. WAM is calculated by taking the maturity of the underlying money market instruments held by the fund, weighted according to the relative holdings per instrument.