

Annex A

Glossary of Terms and Definitions

BoE: Bank of England

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.

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.

CFR: see 'Capital Financing Requirement'

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.

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.

Counterparty

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

CPD: Continuous Professional Development

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.

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.

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.

DLCLG: Department of Levelling Up, Communities and Local Government. Formerly the Ministry of Housing, Communities and Local Government or MHCLG.

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.

ESG: Environmental, Social and Governance

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.

Fund Manager

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

HCP: Housing Capital Programme

HM Treasury: Her Majesty's Treasury, a central government department

HRA: Housing Revenue Account

HTS: Harlow Trading Services

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

LOBO: see 'Lender Option Borrower Option'

LTV: Loan to Value

MRR: Major Repairs Reserve

Markets in Financial Instruments Directive II

New client classification rules were introduced from 3 January 2018 as a result of the UK's implementation of the second Markets in Financial Instruments Directive (MiFID II). Local authorities were transferred to 'client status' unless it requested to institutions to continue to be treated as a professional client in respect of all the regulated financial services that are provided.

MHCLG: Ministry for Housing, Communities and Local Government. This has now been renamed to DLUHC or the Department for Levelling Up, Housing and Communities.

MiFID II: see Markets in Financial Instruments Directive II

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.

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

Municipal Bonds Agency

The Municipal Bonds Agency or MBA was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities.

NHCP: Non Housing Capital Programme

PWLB: see 'Public Works Loan Board'

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.

Q1, Q2, Q3 and Q4: Quarter 1, Quarter 2, Quarter 3 and Quarter 4

Rating Agency: see 'Credit Rating Agency'

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.

SMB: Senior Management Board

TC LLP: Town Centre Limited Liability Partnership

Treasury Bills

Treasury bills short-dated form of UK government debt, issued by the Debt Management Office, 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.

TMSS: see 'Treasury Management Strategy'

Treasury Management Strategy

Also known as the 'Treasury Management Strategy Statement or TMSS 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. This strategy in particular focuses on treasury management needs as opposed to investments made for service or commercial reasons.