GLOSSARY

Annuity	*Loan type involving repayments by equal instalments (repayment of principal element increases over time)*
Basis Point	*One Basis Point = 0.01%*
Capital Financing	*The authority's underlying need to borrow* Requirement
CBI	*Confederation of British Industry*
Certainty Rate	*Conditionally reduced rate on PWLB loans available to Local Authorities*
Certificates of Deposit	*Tradable type of investment*
CIPFA	*Chartered Institute of Public Finance and Accountancy*
Corporate Bonds	*Debt issued by companies*
CPI	*Consumer Prices Index – measure of inflation*
CDS	*Credit Default Swap – the cost of insuring against debt default*
Downside Risk	*There is a risk that the forecast interest rate may be lower than predicted or may fall earlier than predicted. A lower interest rate benefits the debt portfolio but is adverse for the investment portfolio.*
ECB	*European Central Bank is European equivalent of Bank of England when setting interest rates*
EIP	*Loan type involving repayments by Equal Instalments of Principal (reducing payments)*
Fed	*Federal Reserve is US equivalent of Bank of England when setting interest rates*
Fitch	*Company that provides credit ratings*
FRN	*Floating Rate Note – debt issued by companies with a floating interest rate*
GDP	*Gross Domestic Product – a measure of the economy*
GGGD	*General Government Gross Debt. Debt owed by the Government.*
Gilt	*Government debt*
HRA	*Housing Revenue Account*

IMF	*International Monetary Fund*
LIBOR	*London Inter Bank Offered Rate – rate set by large banks as the rate that they will lend to each other (set daily)*
LOBO	*Lenders Option / Borrowers Option loans are a form of long term borrowing where loans run at a fixed rate for a fixed period of time, after which the lender has the option to alter the interest rate. The borrower may either accept the change or repay the loan in full (without penalty)*
MMF	*Money Market Fund – commercially run pooled investment*
MPC	*Monetary Policy Committee – Bank of England body that sets the Bank Rate*
Multilateral Development Bank	*e.g. International Bank of Reconstruction & Development*
Non – Specified	*An investment that is not "Specified"*
OEIC	*Open Ended Investment Company*
PSND	*Public Sector Net Debt – Measure of fiscal surpluses and deficits along with new debt created.*
PWLB	*Public Works Loans Board (advances loans to local authorities)*
Quantitative Easing (QE)	*Process whereby new money is used to purchase assets from institutions, thereby freeing the institution to boost money supply to the economy*
Refinancing Risk	*There are risks associated with replacing a loan with new borrowing. For example any penalty charges incurred in early redemption or paying a higher rate for new borrowing.*
Section 151	*With reference to the Local Government Act 1972, this is the Director of Finance*
SORP	*Statement of Recommended Practice*
Sovereign	*Government backed*
Specified	*Sterling denominated investment with a maturity up to one year, meeting the requirements for a highly rated investment*
TMP	*Treasury Management Practices – how the organisation puts in place formal and comprehensive objectives, policies, practices, strategies and reporting arrangements for the*

	effective management and control of their treasury management activities
Upside Risk	*There is a risk that the forecast interest rate may be higher than predicted or may increase earlier than predicted. A higher interest rate benefits the investment portfolio but is adverse for the debt portfolio.*
Yield Curve	*A graphical plot of return versus time*