

APPENDIX I

Glossary

<i>Capital</i>	<i>expenditure which creates or enhances an asset.</i>
<i>Certainty Rate</i>	<i>Conditionally reduced rate on PWLB loans available to Local Authorities</i>
<i>CFR</i>	<i>Capital Financing Requirement - The Council's underlying need to borrow for capital purposes representing the cumulative capital expenditure of the local authority that has not been financed by other means (e.g. grant, capital receipt etc).</i>
<i>CIPFA</i>	<i>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.</i>
<i>Cost of Carry</i>	<i>The "cost of carry" is the difference between what is paid to borrow compared to the interest which could be earned for investing. For example, a person takes out borrowing at 5% and invests the money at 1.5%, there is a cost of carry of 3.5%. This occurs from the point the loan is drawn down, through to its use in funding capital expenditure.</i>
<i>Delayed Borrowing</i>	<i>See "Internal Borrowing".</i>
<i>DMO</i>	<i>Debt Management Office - the DMO is an Executive Agency of HM Treasury and provides direct access for local authorities into a government deposit facility known as the DMADF. All deposits are guaranteed by HM Government and therefore have the equivalent of a sovereign triple-A credit rating.</i>

<i>General Fund (GF)</i>	<i>This includes most of the day-to-day spending and income for council services such as social care, waste etc..</i>
<i>Gilt</i>	<i>Gilts are bonds issued by the UK Government. They take their name from "gilt-edged": being issued by the UK government, they are deemed to be very secure as the investor expects to receive the full face value of the bond to be repaid on maturity. Basically, investors lend to the government for a return over many years.</i>
<i>HRA</i>	<i>The Housing Revenue Account (HRA) reflects the statutory requirement to account for local authority housing. It sets out the major elements of housing revenue expenditure and capital financing charges and how these are met by rents, other income and working balances.</i>
<i>Internal Borrowing</i>	<i>Occurs when actual loans drawn / taken out with financial institutions are less than the underlying need to borrow (CFR). It involves use of the council's own resources to temporarily finance (i.e. cashflow) expenditure, rather than new external borrowing e.g. from PWLB.</i>
<i>LOBO</i>	<i>Lenders Option / Borrowers Option loans are a form of long-term borrowing where loans run at a fixed rate for a fixed periods 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)</i>
<i>Maturity</i>	<i>The date when an investment or borrowing is repaid</i>
<i>Maturity Structure</i>	<i>A table or graph showing the amount (or percentage) of debt or investments maturing over a time period.</i>
<i>MRP</i>	<i>Minimum Revenue Provision - The minimum amount which must be charged to an authority's revenue account each</i>

year and set aside as provision for credit arrangements, to repay underlying debt.

<i>Operational Boundary</i>	<i>Normal borrowing levels</i>
<i>PWLB</i>	<i>Public Works Loans Board is a statutory body operating within the Debt Management Office, an Executive Agency of HM Treasury. The PWLB's function is to lend money from the National Loans Fund to local authorities and other prescribed bodies and to collect the repayments</i>
<i>QE</i>	<i>Quantitative Easing - process whereby new money is used to purchase assets from institutions, thereby freeing the institution to boost money supply to the economy</i>
<i>Revenue</i>	<i>Day to day spending on everyday services</i>
<i>Section 151 Officer</i>	<i>With reference to the Local Government Act 1972, this is the Director of Finance</i>
<i>Supported Borrowing</i>	<i>Borrowing for which the costs are supported by the government or third party.</i>
<i>TMP</i>	<i>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</i>
<i>Temporary Borrowing</i>	<i>Borrowing to cover peaks and troughs of cash flow for day to day revenue spending, not to fund capital spending</i>
<i>Under Borrowing</i>	<i>see “Internal Borrowing”</i>

Unsupported Borrowing *Borrowing which is self-financed by the local authority. This is also sometimes referred to as Prudential Borrowing.*

Yield Curve *A graphical plot of return versus time*