

GLOSSARY

Asset Class Limits	Types of investments - such as Banks, Building Societies, Government, Money Market Funds. The Authority has to set these limits in terms of percentages of each type of investment held of the total portfolio.
Asset Life	How long an asset is likely to last e.g. a Recycling Centre.
Borrowing Portfolio	A list of loans held by the Authority.
Borrowing Requirements	The Authority's need to finance and manage debt and debt redemption and replacement.
Capitalisation direction or regulations	Expenditure of a revenue nature that may use capital reserves, borrowing and capital receipts to finance.
CIPFA Code of Practice on Treasury Management	A code of practice issued by CIPFA defining treasury management as the management of the organisation's cash flows, banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of the optimum performance consistent with those risks.
Counterparty	Banks and Building Societies that the Authority transacts with for borrowing and lending.
Credit Arrangements	Methods of Financing such as borrowing, leasing etc.
Credit Ratings	A scoring system issued by credit rating agencies such as Fitch, Moody's and Standard and Poors that indicate the financial strength and other factors of a bank or similar institution.
Creditworthiness	How highly rated an institution is according to its credit rating.
Debt Management Office	The DMO is an agency of the HM Treasury and its responsibilities include debt and cash management for the UK Government, lending to local authorities and managing certain public sector funds.
Debt Rescheduling	When the Authority's loans are refinanced at different terms and rates to the original loan.
Depreciation Method	The spread of the cost of an asset over its useful life and expected wear and tear.
Fitch Ratings	A credit rating agency who provides credit rated worthiness information.
Gilts	Issued by the UK Government in order to finance public expenditure. Gilts are generally issued for a set period and pay a fixed rate of interest for the period.
Guidance on Local Government Investments	Guidance issues by CIPFA on the scale of treasury management activities.
Interest Rate exposures	A measure of the proportion of money invested and what impact movements in the financial markets would have on them.
Lender Option Borrower Option (LOBO)	Loans taken by the Authority that have a fixed rate for a specified number of years and the rate can be varied by the lender at agreed intervals for the remaining life. If the

	Authority is not happy with the revised rates offered by the lender, the Authority then has the option to repay the loan in full and the loan agreement will end.
Limits for external debt	This forms part of the Prudential Indicators prescribed by the Prudential Code. The level of external debt is a consequence of a treasury management decision about how much external borrowing to undertake.
Liquidity	Availability of access to cash that is readily available.
Lowest Common Denominator	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 Authority's lending list.
Maturity	The date when an investment is repaid or the period covered by a fixed term investment.
Maturity Structure of Borrowings	A profile of the Council's loan portfolio in order of the date in which they expire and require repayment.
Minimum Revenue Provision	The minimum amount which must be charged to an authority's revenue account each year and set aside as provision for credit liabilities.
Minimum Revenue Provision Policy Statement	An Authority is required under statutory guidance to set out how a revenue charge would be paid.
Money Market	Financial institutions and dealers in money and credit.
Money Market Funds	Funds where money can be placed in a particular fund and then invested in a mix of investments in Banks and other institutions.
Moody's	A credit rating agency who provides credit rated worthiness information.
Non Specified Investments	This is terminology specified within CIPFA's Treasury Management Code to describe investments for more than one year and with unrated banks and building societies.
Prudential Borrowing	Authorities are required to comply with the Prudential Code by demonstrating the affordability, prudence and sustainability of the Authority's financial planning methods.
Prudential Code for Capital Finance in Local Authorities	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.
Prudential Indicators	The key objectives of the Prudential Code developed by CIPFA 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.
Public Works Loan Board (PWLB)	A central government agency which provides long and medium term loans to local authorities at interest rates slightly higher than those at which the Government itself can borrow.

Credit Rated	Institutions that possess a credit rating from a credit rating agency such as Fitch, Moody's or Standard and Poors.
Risk Control	Putting in place processes to control exposures to risk.
Security	Placing cash in highly rated institutions.
Specified Investments	This is terminology specified within CIPFA's Treasury Management Code to describe investments for less than one year and with rated banks and building societies.
Standard and Poors	A credit rating agency who provides credit rated worthiness information.
Supported Borrowing	Mainstream funding for housing investments is provided in the form of revenue support to cover borrowing costs.
Supranational Institutions	Multi national structures - an amalgamation of different countries offering investment opportunities - for example Euro Investment Bank
Unrated institution	An institution that does not possess a credit rating from one of the main credit rating agencies.
Unsupported Borrowing	Borrowing costs wholly financed by the Authority.