Report of the Section 151 Officer

Council - 24 September 2015

TREASURY MANAGEMENT ANNUAL REPORT 2014/15

Purpose:	This report provides details of the Council's Treasury Management activities during 2014/15 and compares actual performance against the strategy laid down at the start of the year.
Policy Framework:	Treasury Management Policy Statement approved by Council 22 February 2010
Reason for Decision:	This report is made to Council to comply with the requirements of CIPFA's Codes of Practice and as such, there is no decision required.
Consultation:	Finance, Access to Services and Legal
Recommendation:	The report is for information. Members are asked to note the details contained in the report
Report Author:	J. Dong
Finance Officer:	M. Hawes
Legal Officer:	T Meredith
Access to Services Officer	S. Hopkins
FOR INFORMATION	

1 Introduction

1.1 Under the CIPFA Code of Practice on Treasury Management in Public Services, there is a requirement: "….*for the Council to receive reports on its treasury management policies, practices and activities".*

This report summarises the activities for the year. The Prudential Code for Capital Finance in Local Authorities also requires the reporting of outturn Prudential Indicators for the year.

2 Executive Summary of Activities During The Year

2.1 The revised indicative net borrowing requirement for 2014/15 was £20.643M. Due to capacity constraints and low investment returns achievable, it was determined to utilise internal funds on an interim basis to fund capital requirements. As such no new external borrowing was undertaken in 2014/15.

2.2 The average interest rate on outstanding Council borrowing was 5.45%.

2.3 Internally Managed investments achieved a return of 0.60%. This represents an outperformance of +0.10% from the 7 day uncompounded LIBID benchmark rate of 0.50%.

2.4 The Council has operated within the determined treasury limits outlined in the appendices.

3 Financial Implications

3.1 There are no financial implications arising directly from this report

4 Legal Implications

4.1 There are no legal implications arising directly from the report.

5 Equality Impact Assessment Implication

5.1 There are no equality impact assessment implications arising directly from the report

Appendices:

Appendix A – Treasury Management Annual Report 2014/15

Background Papers:

- Treasury Management Strategy, Prudential Indicators, Investment Strategy & Minimum Revenue Provision Statement 2014/15 (Feb 2014)
- Treasury Management Strategy, Prudential Indicators, Investment Strategy & Minimum Revenue Provision Statement 2015/16 (Feb 2015)

APPENDIX A

Treasury Management Annual Report

2014/15

Contents

1. Executive Summary

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2. Introduction and Background

2.1 Treasury Management in local government is regulated by the CIPFA Code of Practice on Treasury Management in Public Services (the Code). The City and County of Swansea has adopted the Code and complies with its requirements. A glossary of terms used throughout this report is included at Appendix 3.

2.2 The primary requirements of the Code are the:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's Treasury Management activities
- Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives
- Receipt by the Council of an annual Treasury Management strategy report for the year ahead , a mid term update report and an annual review report of the previous year
- Delegation by the Council of responsibilities for implementing and monitoring Treasury Management policies and practices and for the execution and administration of Treasury Management decisions
- Treasury Management, in this context, is defined as:

"*The management of the local authority's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of the optimum performance or return consistent with those risks."*

2.3 The Council has previously received in February 2014 the Treasury Strategy Statement and Investment Strategy for 2014/15.

2.4 The Prudential Code for Capital Finance in Local Authorities has been developed as a professional code of practice to support local authorities in determining their programmes for capital investment. Local authorities are required by Regulation under Part 1 of the Local Government Act 2003 to comply with the Prudential Code.

2.5 The objective of the Code is to provide a framework for local authority capital finance that will ensure for individual local authorities that:

- Capital expenditure plans are affordable
- All borrowing and long term liabilities are within prudent and sustainable levels
- Treasury Management decisions are taken in accordance with professional good practice

2.6 The Code includes a set of Prudential Indicators, which are designed to support and inform local decision-making. The 2014/15 Prudential Indicators are detailed in Appendix 1.

3. Debt Portfolio

3.1 The Council's external borrowing position at the beginning and end of the year was as follows:

	1 April 2014		**31 March 2015**	
	Principal £'000	Interest Rate %	Principal £'000	Interest Rate %
Long Term Debt				
PWLB - fixed rate	220,305	6.16	212,981	6.10
Money Market (LOBO)	98,000	4.10	98,000	4.10
Local Bonds				
Short Term Debt				
Money Market	20	0.52	20	0.37
External Bodies	707	1.03	1,229	0.59
Total Debt	319,032	5.51	312,230	5.45

3.2 The average external debt portfolio interest rate was 5.45%.

4. Treasury Strategy 2014/15

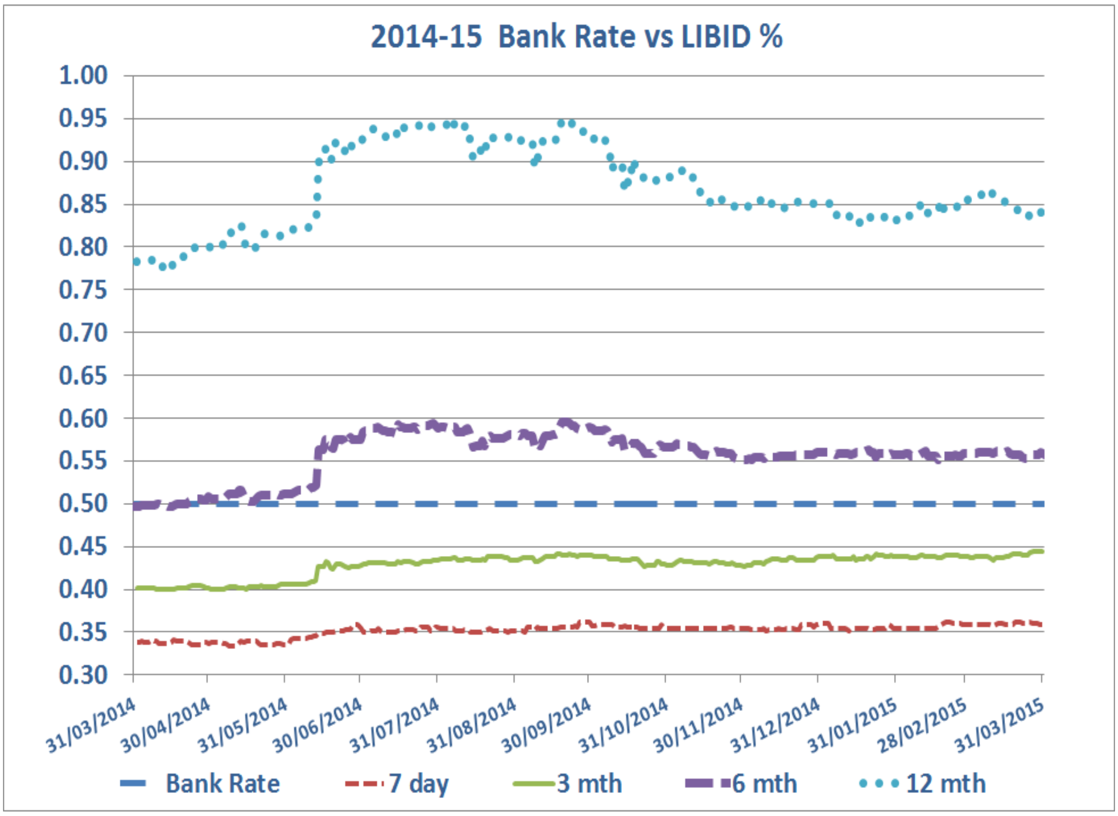
4.1 The original market expectation at the beginning of 2014/15 was for the first increase in Bank Rate to occur in quarter 1 2015 as the unemployment rate had fallen much faster than expected through the Bank of England's initial forward guidance target of 7%. In May, however, the Bank revised its forward guidance. A combination of very weak pay rises and inflation above the rate of pay rises meant that consumer disposable income was still being eroded and in August the Bank halved its forecast for pay inflation in 2014 from 2.5% to 1.25%. Expectations for the first increase in Bank Rate therefore started to recede as growth was still heavily dependent on buoyant consumer demand. During the second half of 2014 financial markets were caught out by a halving of the oil price and the collapse of the peg between the Swiss franc and the euro. Fears also increased considerably that the ECB was going to do too little too late to ward off the threat of deflation and recession in the Eurozone. In mid-October, financial markets had a major panic for about a week. By the end of 2014, it was clear that inflation in the UK was going to head towards zero in 2015 and possibly even turn negative. In turn, this made it clear that the MPC would have great difficulty in starting to raise Bank Rate in 2015 while inflation was around zero and so market expectations for the first increase receded back to around quarter 3 of 2016.

4.2 Gilt yields were on a falling trend for much of the last eight months of 2014/15 but were then pulled in different directions by increasing fears after the anti-austerity parties won power in Greece in January; developments since then have increased fears that Greece could be heading for an exit from the euro. While the direct effects of this would be manageable by the EU and ECB, it is very hard to quantify quite what the potential knock on effects would be on other countries in the Eurozone once the so called impossibility of a country leaving the EZ had been disproved. Another downward pressure on gilt yields was the announcement in January that the ECB would start a major programme of quantitative easing, purchasing EZ government and other debt in March. On the other hand, strong growth in the US caused an increase in confidence that the US was well on the way to making a full recovery from the financial crash and would be the first country to start increasing its central rate, probably by the end of 2015. The UK would be closely following it due to strong growth over both 2013 and 2014 and good prospects for a continuation into 2015 and beyond. However, there was also an increase in concerns around political risk from the general election due in May 2015.

4.3 The Funding for Lending Scheme, announced in July 2012, resulted in a flood of cheap credit being made available to banks which then resulted in money market investment rates falling drastically in the second half of that year and continuing throughout 2014/15.

4.4 The UK coalition Government maintained its tight fiscal policy stance but recent strong economic growth and falling gilt yields led to a reduction in the forecasts for total borrowing in the March budget. The EU sovereign debt crisis had subsided since 2012 until the Greek election in January 2015 sparked a resurgence of fears. While the UK and its banking system has little direct exposure to Greece, it is much more difficult to quantify quite what effects there would be if contagion from a Greek exit from the euro were to severely impact other major countries in the EZ and cause major damage to their banks.

4.5 PWLB certainty maturity borrowing rates - the graphs and table for PWLB rates below show, for a selection of maturity periods, the average borrowing rates, the high and low points in rates, spreads and individual rates at the start and the end of the financial year



4.6 The expectation for interest rates within the strategy for 2014/15 anticipated low but rising Bank Rate (starting in quarter 1 of 2015), and gradual rises in medium and longer term fixed borrowing rates during 2014/15. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

4.7 In this scenario, the treasury strategy was to postpone borrowing to avoid the cost of holding higher levels of investments and to reduce counterparty risk

4.8 The actual movement in gilt yields meant that PWLB rates saw little overall change during the first four months of the year but there was then a downward trend for the rest of the year with a partial reversal during February

5. Actual Borrowing 2014/15

5.1 The Treasury Management strategy 2014/15 agreed by the Council in February 2015 was £20.643M.

5.2 No new PWLB or market borrowing was undertaken during the financial year 2014/15 as set out in the 2014/15 strategy above in 4.7.

5.3 As reported to Council in December 2014, the Council (in respect of the Housing Revenue Account (HRA)) was to enter into a financial transaction with Welsh Government and HM Treasury to buy itself out of the HRA Subsidy system in April 2015 effective in financial year 2015/16

5.4 In order to facilitate the HRA Subsidy buyout in 2015/16, borrowing in respect of the HRA of £73.580M was authorised and arranged on March 31st 2015 for receipt and remittance to Welsh Government on April 2nd 2015.

6. Compliance with Treasury Limits

6.1 During the year, the Council operated within the limits set out in the Council's Treasury Management Strategy 2014/15 under the Prudential Code. The outturn for the prudential indicators are shown in Appendix 1.

7. Capital Financing Charges 2014/15

7.1 The capital financing charges made to the Council's accounts for 2014/15 including capital repayments net of discounts/premiums and interest receivable are detailed below.

	Actual 2013/14		Actual 2014/15	
	£'000	Interest Rate %	£'000	Interest Rate %
Housing Revenue A/c	4,694	4.80	4,329	4.52
General Fund	27,009	4.68	27,454	4.38

7.2 The interest rates charged differ from the average rate of interest for external debt due to the fact that part of the Council's borrowing for capital purposes is funded by the investment of internal reserves and the use of internal balances and application of discounts/premia.

8. Investment Strategy for 2014/15

8.1 Bank Rate remained at its historic low of 0.5% throughout the year; it has now remained unchanged for six years. Market expectations as to the timing of the start of monetary tightening started the year at quarter 1 2015 but then moved back to around quarter 3 2016 by the end of the year. Deposit rates remained depressed during the whole of the year, primarily due to the effects of the Funding for Lending Scheme

8.2 Overlaying the relatively poor investment returns were the continued counterparty concerns, most evident in the Euro zone.

8.3 As a result of the above, a cautious borrowing and investment strategy was implemented in 2014/15. The paramount consideration in making investments was the security of the investment. Given the low interest rates achievable on Council investments, a decision was made to internally finance any new capital borrowing requirement. This resulted in a lower net interest charge to the Council and reduced risk in relation to security of investment without incurring cost of carry (i.e borrowing at a higher rate than is available for investment)

8.4 The Council's investment policy is governed by WAG guidance, which was implemented in the annual investment strategy approved by the Council on February 2015. This policy sets out the approach for choosing investment counterparties, and is based on our Treasury Advisors' investment matrix based on credit ratings provided by the three main credit rating agencies supplemented by additional market data such as rating outlooks, credit default swaps information, bank share prices etc. New investments were restricted to UK only institutions which satisfied these criteria.

9. Actual Investments 2014/15

9.1 The Council manages its cashflow and core balance investments internally, having realised its cash balances held with its external cash fund manager during the financial year. These balances were invested on the Money Market via brokers or directly with banks and building societies, other local authorities and the Debt Management Office (DMO) within the criteria set out in 8.4 above. The balances held during the year were as follows:

Balance 1 April 2014	Balance 31 March 2015	Average Value 2014/15	Interest	Rate of Return	Benchmark 7 day LIBID
£'000	£'000	£'000	£'000	%	%
64,999	53,837	73,373	437	0.60	0.50

9.2 The interest achieved on internally managed investments was £0.437m or 0.60%. This return outperformed the benchmark seven-day rate by +0.10%.

9.3 As a further measure to mitigate and control risk following the financial crisis, the Authority determined to restrict investments to UK domiciled only banks and financial institutions in October 2008 resulting in an even smaller number of available counterparties to invest with. This policy was maintained in light of continued sovereign debt crises throughout Europe. The list of investments as at 31st March 2015 is attached at Appendix 4.

10. Debt Repayment/Rescheduling

10.1 Market conditions are constantly monitored for opportunities to repay or reschedule debt in line with good Treasury Management. No such opportunities arose in 2014/15.

Appendix 1

Prudential Indicators

Capital Prudential Indicators	2013/14	2014/15	2014/15
	Actual	Revised Estimate	Actual
	£'000	£'000	£'000
Capital Expenditure			
GF	59,047	92,257	67,169
HRA	24,981	26,907	24,582
TOTAL	84,028	119,164	91,751
Ratio of financing costs to net revenue stream	%	%	%
GF	7.29	6.55	7.96
HRA	9.04	8.07	8.01
Incremental Impact on Council Tax (Band D) or Council House Rent	£	£	£
GF	84.17	85.50	86.94
HRA	0.00	0.00	0.00
Capital Financing Requirement	£'000	£'000	£'000
GF	314,815	330,430	333,683
Credit Arrangements	2,600	2,259	2,472
HRA	66,378	66,054	63,485
TOTAL	383,793	398,743	399,640

Treasury Management Prudential Indicators			
	2013/14	2014/15	2014/15
	Actual	Revised Estimate	Actual
	£'000 or %	£'000 or %	£'000 or %
Authorised limit for external debt	319,032	500,561	312,230
Operational boundary for external debt	319,032	454,260	312,230
Upper limit for fixed interest rate exposure	69.28%/ £221,032	100%/ £500,561	68.61%/ £214,230
Upper limit for variable interest rate exposure	30.72%/ £98,000	40%/ £200,224	31.39%/ £98,000
Upper limit for total principal sums invested for over 364 days	0	40,000	0

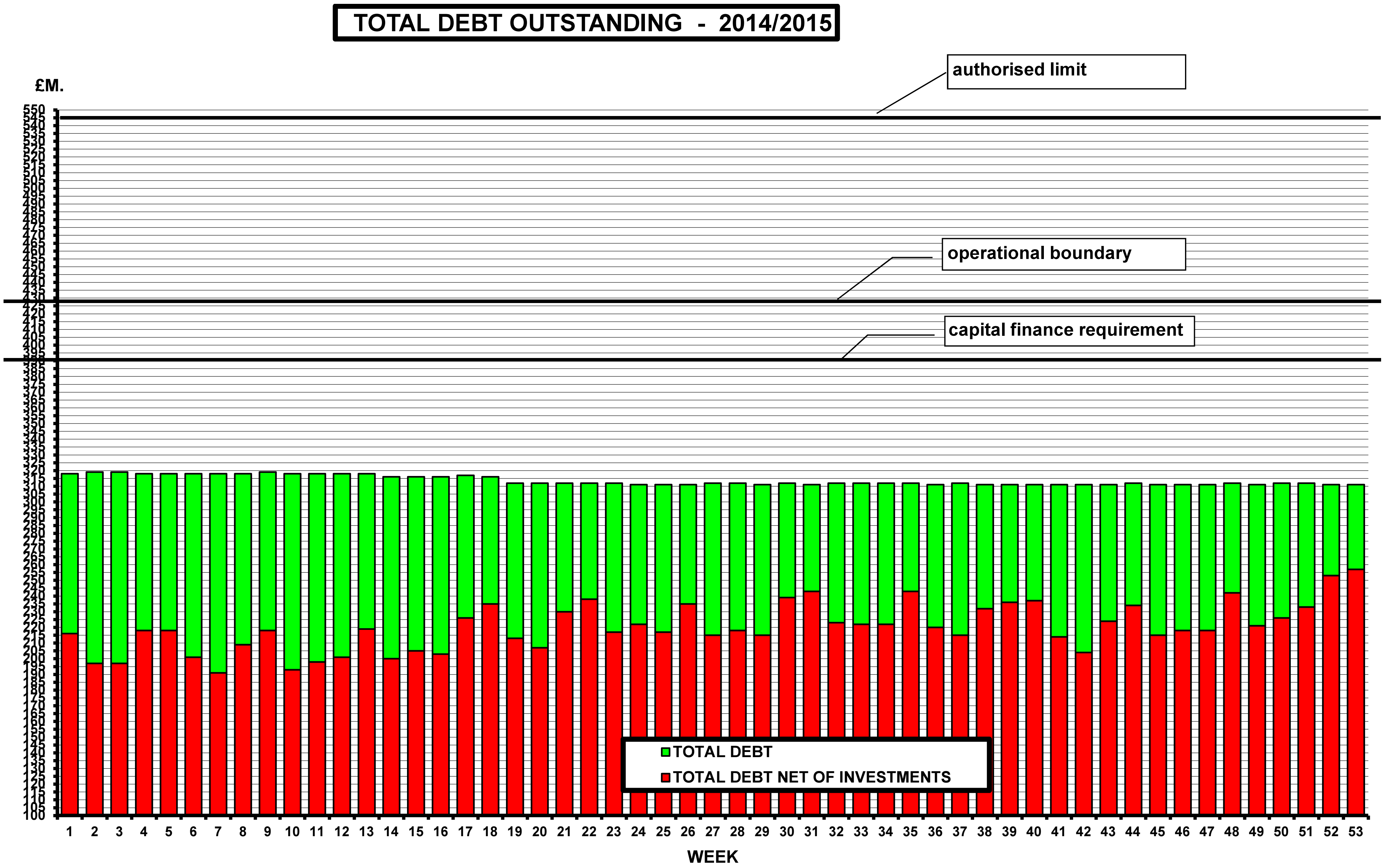
Maturity Structure of Fixed Rate Borrowing in 2014/15			
	Upper Limit	**Lower Limit**	**Actual**
Under 12 months	50%	0%	12.86%
12 months and within 24 months	50%	0%	13.24%
24 months and within 5 years	50%	0%	9.42%
5 years and within 10 years	85%	0%	0%
10 years and above	95%	15%	64.47%

The Treasury Management Prudential Indicators identified above as:

- Upper limit for fixed interest rate exposure
- Upper limit for variable interest rate exposure
- Upper limit for total principal sums invested for over 364 days
- Maturity Structure of fixed rate borrowing in 2014/15

are shown as at balance sheet date 31st March 2015, however it can be reported that none of the above limits were breached during 2014/15. The level of outstanding debt throughout 2014/15 is shown in Appendix 2 and can be seen to be within the capital financing requirement, operational boundary and authorised limit for the whole of 2014/15.

APPENDIX 2


TOTAL DEBT OUTSTANDING - 2014/2015
authorised limit
operational boundary
capital finance requirement
£M.
TOTAL DEBT
TOTAL DEBT NET OF INVESTMENTS
WEEK

Appendix 3

Treasury Management – Glossary of Terms

Annualised Rate of Return	Represents the average return which would have been achieved each year.
Authorised Limit ***(can also be considered as the affordable borrowing limit)***	The authorised limit must be set to establish the outer boundary of the local authority's borrowing based on a realistic assessment of the risks. The authorised limit is certainly not a limit that an authority will expect to borrow up to on a regular basis. It is crucial that it is not treated as an upper limit for borrowing for capital expenditure alone since it must also encompass borrowing for temporary purposes. It is the expected maximum borrowing need, with some headroom for unexpected movement.
Bank Rate	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.
Base Rate	Minimum lending rate of a bank or financial institution in the UK.
Basis Points (bp)	A basis point is 0.01 of 1% (100 bp = 1%)
Borrowing	In the Code, borrowing refers to external borrowing. Borrowing is defined as both:- • Borrowing repayable with a period in excess of 12months • Borrowing repayable on demand or within 12months
Capital Expenditure	The definition of capital expenditure starts with all those items which can be capitalised in accordance with the Statement of Recommended Practice (SORP). To this must be added any items that have/will be capitalised in accordance with legislation that otherwise would not be capitalised. Prudential indicators for current and future years are calculated in a manner consistent with this definition.

Capital Financing Charges (see financing costs also)	These are the net costs of financing capital i.e. interest and principal, premium less interest received and discounts received.
Capital Financing Requirement	The Capital Financing Requirement is simply the total outstanding capital expenditure, which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need.
CIPFA	The Chartered Institute of Public Finance and Accountancy. One of the leading professional accountancy bodies in the UK and the only one which specialises in the public services.
Counterparty	The organisations responsible for repaying the Council's investment upon maturity and for making interest payments.
Credit Rating	This is a scoring system that lenders issue people with to determine how credit worthy they are. The Credit Rating components are as follows: 1. The AAA ratings through to C/D are long-term rating definitions and generally cover maturities of up to five years, with the emphasis on the ongoing stability of the institution's prospective financial condition. AAA are the most highly rated, C/D are the lowest. This Council does not invest with institutions lower than AA- for investments over 364 days 2. F1/A1/P1 are short-term rating definitions used by Moody's, S&P and Fitch Ratings for banks and building societies based on their individual opinion on an institution's capacity to repay punctually its short-term debt obligations (which do not exceed one year). This Council does not invest with institutions lower than F1/A1/P1 for investments under 364 days.
Debt	For the purposes of the Code, debt refers to the sum of borrowing (see above) and other long-term liabilities (see below). It should be

	noted that the term borrowing used with the Act includes both borrowing as defined for the balance sheet and other long terms liabilities defined as credit arrangements through legislation.
Discounts	Where the prevailing interest rate is higher than the fixed rate of a long-term loan, which is being repaid early, the lender can refund the borrower a discount. This is calculated on the difference between the two interest rates over the remaining years of the loan, discounted back to present value. The lender is able to offer the discount, as their investment will now earn more than when the original loan was taken out.
Financing Costs	The financing costs are an estimate of the aggregate of the following:- • Interest payable with respect to borrowing • Interest payable under other long-term liabilities • Gains and losses on the repurchase or early settlement of borrowing credited or charged to the amount to be met from government grants and local taxpayers (premiums and discounts) • Interest earned and investment income • Amounts required in respect of the minimum revenue provision plus any additional voluntary contributions plus any other amounts for depreciation/impairment that are charged to the amount to be met from government grants and local taxpayers
Financial Reporting Standards (FRSs)	These are standards set by governing bodies on how the financial statements should look and be presented.
Investments	Investments are the aggregate of:- • Long term investments • Short term investments (within current assets) • Cash and bank balances including overdrawn balances From this should be subtracted any

	investments that are held clearly and explicitly in the course of the provision of, and for the purposes of, operational services.
IMF	International Monetary Fund
LOBO (Lender's Option/ Borrower's Option	Money Market instruments that have a fixed initial term (typically one to ten year) and then move to an arrangement whereby the lender can decide at pre-determined intervals to adjust the rate on the loan. At this stage the borrower has the option to repay the loan.
London Inter-Bank Bid Rate (LIBID)	The interest rate at which major banks in London are willing to borrow (bid for) funds from each other.
Managed Funds	<u>In-House Fund Management</u> Surplus cash arising from unused capital receipts can be managed either by external fund managers or by the Council's staff in-house. The in-house funds are invested in fixed deposits through the money markets for periods up to one year. <u>Externally Management Funds</u> Fund managers appointed by the Council invest surplus cash arising from unused capital receipts in liquid instruments such as bank certificates of deposit and government stocks. The fund managers' specialist knowledge should ensure a higher rate of earnings on the managed funds than would be otherwise obtained.
Maturity	The date when an investment is repaid or the period covered by a fixed term investment.
Minimum Revenue Provision (MRP)	The amount required by statute to be principal repayment each year.
Monetary Policy Committee (MPC)	This is a body set up by the Government in 1997 to set the repo rate (commonly referred to as being base rate). Their primary target (as set by the Government) is to keep inflation within plus or minus 1% of a central target of 2% in two year time from the date of the monthly meeting of the Committee. Their secondary target is to support the Government

	in maintaining high and stable levels of growth and employment.
Money Market	Consists of financial institutions and deals in money and credit. The term applied to the institutions willing to trade in financial instruments. It is not a physical creation, but an electronic/telephone one.
Net Borrowing	For the purposes of the Code, net borrowing refers to borrowing (see above) net of investments (see above).
Net Revenue Stream	Estimates for net revenue stream for current and future years are the local authority's estimates of the amounts to be met from government grants and local taxpayers.
Operational Boundary	This is based on expectations of the maximum external debt of the authority according to probable not simply possible – events and being consistent with the maximum level of external debt projected by the estimates. It is not a limit and actual borrowing could vary around this boundary for short periods.
Other Long Term Liabilities	The definition of other long term liabilities is the sum of the amounts in the Council's accounts that are classified as liabilities that are for periods in excess of 12months, other than borrowing (see definition above).
Premature Repayment of Loans (debt restructuring/rescheduling)	A facility for loans where the Council can repay loans prior to the original maturity date. If the loan repaid has a lower interest rate than the current rate for a loan of the same maturity period the Council can secure a cash discount on the repayment of the original loan. If the loan replaced has a higher rate of interest than the current rate for a loan of the same maturity period, a cash penalty is payable to the lender.
Premia	Where the prevailing current interest rate is lower than the fixed rate of a long term loan, which is being repaid early, the lender can

	charge the borrower a premium. This is calculated on the difference between the two interest rates over the remaining years of the loan, discounted back to present value. The lender may charge the premium, as their investment will now earn less than when the original loan was taken out.
Prudential Code	The Prudential Code is the largely self regulatory framework outlined by CIPFA for managing/monitoring capital investment in local government.
Public Works Loan Board (PWLB)	A Government agency which provides loans to local authorities. Each year, it issues a circular setting out the basis on which loans will be made available. Loans can be either at a fixed rate or on a variable rate basis. They can be repaid on either an annuity, equal instalment of principal or maturity basis. The interest rate charged is linked to the cost at which the Government itself borrows.
Range Trade Accrual	A Callable Range Accrual is so called because it is callable or cancellable by the bank after the initial period, as above. However, where it differs, is that interest accrues only as long as Libor (London Interbank Offer Rate, or another independently derived and published benchmark rate) stays within a pre-agreed range. The lender can choose the range, the non-call period, the Libor they wish to use, the call periods and the potential return they wish to receive.. The bank has the right to cancel this trade after the first 3 months, and every 3 months thereafter. With a range trade, the lender is backing his judgement on interest rate movements and in exchange for that can achieve a significantly enhanced return. This is done as part of portfolio management. The risk of rates going above Libor on a small part of the portfolio (and therefore none, or little payment on a range accrual) will be offset by the fact that the rest of the portfolio will be returning more than expected. The key risk to a callable range accrual is obviously that the contractual Libor rate goes outside the specified range. It is possible to mitigate this risk by analysing the historical behaviour of any specified Libor

	relative to base rate. By taking a view on expected base rate (which is done on all deposits), a lender can minimise exposure, and choose a range to match his risk appetite.
Risk	Counterparty Credit Risk The risk that a counterparty defaults on its obligations. Inflation Risk The risk that growth in the Authority's investment income does not keep pace with the effects of inflation on its expenditure. Interest Rate Risk The risk that changes in rates of interest creates an unexpected or unbudgeted burden on the Council's finances. Liquidity Risk The risk that cash will not be available when it is needed. Operational Risk The risk of loss through fraud, error, corruption, system failure or other eventualities in Treasury Management dealings, and failure to maintain effective contingency management arrangements. Refinancing Risk The risk that the Authority is unable to replace its maturing funding arrangements on appropriate terms.
Set Aside Capital Receipts	A proportion of money received by the Council for the sale of fixed assets must be set aside to repay debt.
SORP	Statement of Recommended Practice, published by CIPFA (Local Authority Accounting Body). This sets out guidelines regarding the Council's financial matters.
Specified/Non Specified investments	Specified investments are sterling denominated investments for less than 364 days in line with statutory investment regulations. Non- specified investments are all other investments identified in line with statutory investment regulations.

Supranational Bonds	These are bonds issued by institutions such as the European Investment Bank and World Bank. As with Government bonds (Gilts) they are regarded as the safest bond investments with a high credit rating.
Temporary Borrowing and Investment	Loans which are capable of being repaid within one year. The term of the loans will be negotiated from overnight to 364 days.
Treasury Management	Treasury Management has the same definition as in CIPFA's code of Practice of Treasury Management in the Public Services. "The management of the organisation's cash flows its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
Yield Curve	The line resulting from portraying interest rate graphically for a series of periods, e.g. 7days, 1month, 3, 6, 9, and 12months. When longer-term interest rates are higher than short-term rates the yield curve slopes upwards and is described as positive. When the opposite prevails the yield curve is referred to as inverse.

Appendix 4

Portfolio of Outstanding Investments as at 31 March 2015

	£
Bank of Scotland	7,836,944
Birmingham City Council	5,000,000
Goldman Sachs International Bank UK	2,000,000
Leeds Building Society	2,000,000
Lloyds Bank	7,000,000
Nationwide Building Society	8,000,000
Santander	20,000,000
United Bank Of Switzerland (UBS) UK	2,000,000
Total	**53,836,944**